

## World News Gorbachev agrees to head mission to Lithuania

Mikhail Gorbachev, the Soviet leader, postponed a potentially disastrous split in his ruling Communist Party by agreeing to lead a top-level mission to the Baltic republic of Lithn-ania to head off its threatened sion. Page 12

Samuel Beckett dies Samuel Beckett, the Irish novelist and playwright who made France his home, died on Friday at the age of 83 and was buried in Paris. Page 12

Lebanon attacked Israeli forces struck deep into Lebanon in two separate raids which the military said were aimed against Lebanese Communist Party bases involved in launching attacks on Israeli troops and their local allies in Southern Lebanon. Page 12

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Chinese dismissal Zhu Houze, a senior Chinese trade union official linked to liberal policies, has been removed from his post. Page 2

Chun faces charges Former South Korean Presi-dent Chun Doo-hwan will testify before the National Assembly soon on charges of misconduct, corruption and human rights abuses stemming from his seven-year rule. Page 2

Blast at Exxon plant A fire at the second largest oil refinery in the US has been brought under control 15 hours after a massive explosion crip-pled the Exxon plant and killed one worker. Page 2

#### **Israeli** budget

The Israeli Government has earmarked 500m shekels (\$256m) in the pest financial year to cope with an anticipated wave of immigration by Soviet Jews. Page 2

Poland signs loan Poland has signed a crucial loan package with the IMF that will help it switch to a western free-market style economy. Page 3

Britain lags behind

### **Business Summary Romania swears in new Communist Government** central bank lifts discount

rate to 4.25% Japanese bankers, businessmen and investors welcomed the Bank of Japan's decision to raise the Official Discount Rate by 0.5 percent-age points to 4.25 per cent and-ing uncertainty about the key onetary policy instrument.

CAMPEAU: many of the retail-ing empire's US apparel suppli-ers and wholesale merchants said they would suspend ship-ments of goods after the comhents of goods and the chine pany's amouncement on Fri-day that Citibank, its lead banker, had threatened to call a technical default on \$2.5bn

Japanese

Page 12

of debt. Page 15 FRENCH current account deficit reached a seasonally adjusted FFr8.6bn (\$1.45bn)

in the third quarter, an improvement on the FFr8.7bn shortfall in the previous three months, according to Finance Ministry estimates. Page 2 KUWAIT pledged investment in China following a visit to the oil-rich Gulf State by Chi-nese President Yang Shangkun. Page 2

OECD's Japan report: OECD warned disruptions of interna-tional financial markets, similar to Black Monday in October 1967, could occur unless Japan continued to reduce its current account surpluses. Page 4

BRITISH car market, which was buoyant through 1989, will slow down next year as the squeeze on consumer spending and high interest rates increase consumer caution, a trade society said. Page 4

**JAPANESE** hudget: government ministers are to meet today to discuss revisions to the draft of the 1990-91 budget, designed to maintain the coun-try's growth without over-stim-

ulating the economy. Page 4 BOVER Group, car making subsidiary of British Aero-space, is to strengthen links with schools in a bid to encour

see youngsters to go into engl-neering: Page 4 BRITISH Petroleum cancelled the sale of its remaining US coal assets six months after putting them on the market

By John Lloyd and Judy Dempsey in Bucharest and Quentin Peel in Moscow A COMMUNIST-dominated provisional Government for

Romania was sworn in yester day less than 24 hours after President Nicolae Ceausescu and his wife, Klena, were exeand his wife, Klena, were exp-cuted by an army firing squad. Almost immediately the new administration received tha blassing of President Mikhail Gorbachev, the Soviet leader, who congratulated the new leader, Mr Ion Hiescn, on his election as chairman of the National Salvation Front. The message said that Mr lliescn "took charge of the country at a difficult moment, when Romanian patriots reso-lutely came out to save the

lutely came out to save the nation from forces of despotism and terror."

tism and terror." However, the first signs of tension are already appearing in the alliance between mili-tary and political leaders who combined to overthrow the Ceausescu dynasty. Protesters in Bucharest yesterday rejected Mr Iliescn's appoint-ment to head the Government.

ment to head the Government, and a string of other Commu-nists as leading members of the administration. A large crowd which had gathered in Palace Square in front of the party headowarters vasianday party headquarters, yesterday condemned the Government,

genocide against the Romanian people. Several countries were quick

to criticise the new Govern-ment for executing the Ceau-sescus without a public trial, and said that Romania should live by the rule of law. The strongest criticism of the secret trial and execution came

from the US Administration which said that it regretted that the trial "did not take place in an open and public fashion."

According to Romanian been witness i radio and other sources, the Securitate forces, loyal to Pres-The Ceanse



New leadership confers: President Ion lieson makes a call during a meeting with colleagues including Prime Minister Petre Roman (right). The 56-year-old Ilieson, who knew Soviet Presi-dent Mikhail Gorbachev during student days in Moscow, had been demoted from his post of

## condemmed the Government, chanting: "No more commu-nism, down with the Commu-nist Party." Romanian television yester-day broadcast pictures of the bodies of President and Mrs Ceausescu, reportedly filmed moments after they were exe-cuted by a firing squad. The couple were shown on televi-ston being tried for conducting genocide against the Romanian Nikolas and Elevis Causescu of was shot down by its own read. T The Ceausescus were tried

small group of reporters, by Captain Michael Inpoi, a member of the original 31strong Committee of National

Securitate forces, loyal to Pres-ident Ceausescu, were surren-dering en masse yesterday, miles from Bucharest, accord-

was shot down by its own read. The trial lasted two hours

The Ceausescus were taken The sentence - never in doubt -- was death hy shoot-ing. According to Capt Lupol there was a competition among the soldiers to make up by road to an army base which the captain would not name and almost immediately put before a specially convened military tribunal; they were tried according to the law. "Their law," said Capt Lupoi, the firing squad when the death sentence was pro-nounced. It was at this langhing. moment that Riena Ceausescu said: "But I have been as a langning. Both were affered defence lawyers which both refused. The ex-President demanded that they be tried before the National Assembly because he did not recognize the compemother to you!" To which a soldier retorted: "You have

brothers." Their last wish was to die together: a wish which was granted. They were put against a wall and shot by an office: and two soldiers at 4pm ace of the court. They were placed in a makeshift dock cre-ated by pushing the ends of two formica-topped tables

Daiwa told to suspend corporate business for two days

By Robert Thomson in Tokyo

JAPAN'S Ministry of Finance yesterday ordered Daiwa Secu-rities, the country's second largest stockbroker, to suspend business for two days in its corporate customer division, which is at the centre of allegations that the company secretly compensated favoured customers for stock trading losses of more than Y10bn (\$70m).

(\$70m). The ministry also demanded that the company review its management structure and not raise new capital for a short but unspecified period. Daiwa said four employees would resign, 12 executives would take a 10 per cent pay cut for between three months and a year and 38 senior offi-cials would not receive their

cials would not receive their scheduled end-of-fiscal-year bonus in March.

The broker has admitted cov-ering the losses incurred in ering the losses incurred in 1975-60 by about 20 corporate clients and that the losses were disguised by a complex arrangement in which shares were sold through an unlisted subsidiary. The ministry had requested that the company correct financial statements for 1965 to reflect the losses 1985 to reflect the losses.

The company formally apologised for causing a negative social impact, although it is believed that the Ministry of Finance could not prove that the company had made a pledge of loss-compensation in advance of the clients' share purchases - a pledge that would have violated Article 50 of the Japanese Securities and Exchange Law. Daiwa has insisted that it did not giva advance guarantees to the cus-

tomers. The case has embarrassed Japanese financial authorities, which are conscious of the country's image as an interna-tional financial centre.

Foreign brokers have suggested that, while the Daiwa case involves allegations that are several years old, the company is probably not the only Japanese broker to have engaged in such transacbeen a mother who killed her

tions Daiwa executives said yesterday that they would attempt to ensure that similar practices

**US** seeks to freeze

assets held by Noriega

By Tim Coone in Panama City and Nancy Dunne in Washington

The US will today ask other The US will today lisk other nations to freeze the assets of General Manual Norioga, Pan-ama's ousted dictator, who has taken refuge in the Vatican mission in Panama City. "We will be taking steps tomorrow to freeze Norioga's

tomorrow to freeze Noriega's bank accounts in a number of foreign countries," said Mr David Runkel, a spokesman for the US Justice Department. He estimated that Noriega, who is wanted in the US on

drug-trafficking charges, took more than \$10m in drug-related

more than stom in drug related proceeds out of Panama. Mr Runkel said legal papers would be filed today in at least six - but fewer than 12 - for-eign nations, seeking a freeze on Gen Noriega's nesets. "Wa will be on their doorsteps in the morning," he said. He declined to name any of the declined to name any of the nations, though he said most were European.

General Noriega sought asy-lum at the embassy of the Papel Nuncio in Panama City on Christmas Eve, as organised resistance by regular Panama-nian troops to the US invasion

gradually collapsed. Monsignor Juan Sebastian Laboa, the Papal Nuncio, said over the weekend that Gen Noriega would not be surrendered to the US Govern and an embarrassing stand-off has developed. The nunciate has been ringed with US troops

and armoured cars. General Noriega has would not recur. The company Spain and Cuba, but Spanish diplomats in Panama have ruled out their country as a said the timing and form of the suspension, which will affect the investment services and place of exile for the ousted leader. The Peruvian governcorporate finance departments, had not been decided, although ment offered him asylum. it is likely to take place next Cuba has indicated that it Continued on Page 12 OECD survey, Page 4. **Continued** on Page 12 Analysis, Page 2

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THE trial and execution of Nikolae and Elena Ceausescu were described yesterday to a

Salvation. The captain, standing in the rains of the former Preside ruins of the former President's rooms in the Central Commit-tee building, smiled and laughed often as he talked about the Ceausescus' end. There seemed little donbt from the details he gave that he had been witness to much of what

British defence companies lag hehind their competitors in developing the alternative products needed to preserv jobs in the face of political change in east Europe, a trade union leader said. Page 6

House market skapp The sluggish UK housing market is set for a further slump next year, but should experience a modest recovery in 1992, according to the Halifax Building Society, Britain's biggest home mortgage finance organ-isation. Page 6

#### Arabs attacked

Axe-wielding Palestinians set fire to an Israeli bus taking. Arab workers from the occupied West Bank to jobs in Israel but all 50 passengers escaped without injury, the driver said.

#### **History rethink**

East Germany has scrapped school history books glorifying its disgraced former Stalinist leaders and is completely rethinking the teaching of history, the official ADN news

**Czech prison unrest** Unrest has spread among immates at three Czechoski prisons demanding an amnesty and improved conditions, according to a report on Czechoslovakian radio.

#### US condomned

Marxist Angola condemned the US invasion of Panama and called on Washington to pull its troops out of the Cen-tral American country.

**Rebels gain ground** 

Rebels in northern Ethiopia said they killed, wounded or captured 1,066 government troops when they seized the towns of Rabel and Mehal Meda in Shoa province.

#### **Bofors** hopeful

Swedish arms company Bofors said it remained hopeful it would win a major new contract from India despite the New Delhi government's threat to bar the company from fur-ther defence deals.

#### Sydney drugs find

An American tourist and his Australian companion appeared in court in Sydney after customs officers found them wearing girdles holding 7,500 tablets of the drug Ecstasy, with an estimated street value of \$260,000.

s part of a worldwide divestment exercise. Page 16 BOEING of the US plans to Jay off about 1,200 workers despite orders for \$85hn of its airliners and delivery dates stretching into the mid-1990s. Page 15

BANCO Santander, Spain's fourth largest bank, said its shares were likely to start trading in Tokyo at the end of Jan-uary after the Tokyo Stock Exchange approved the first listing of a Spanish bank in Japan. Page 15 FUTURES Markets: Foreign

involvement in Japanese stock index futures contracts should grow next year from its current level of 2 per cent, accord-ing to a report. Page 16

ANTAH Overseas Holdings, part of a Malaysian investment group, is taking a \$2.5 per cent stake in Unigroup, a UK tim-ber, building products and clothing company. Page 17

DWYKR, the property invest-ment and dealing company, reported a 55 per cent increase from £2.1m (\$2.4m) to £3.24m in pre-tax profits in the year to September 80. Page 17

PACIFIC, Alcan Aluminium and Maclean Hunter, the com-munications group, joined a parade of Canadian corpora-tions adopting "poison pills" to protect themselves from creeping takeovers and predators. Page 16

**ROYAL Bank of Scotland** Group agreed to sell 76 per cent of AT Mays, its travel agency subsidiary, to Carlson, one of the largest travel com-panies in the US. Page 17

SKANDINAVISKA Roskilda Banken signed the European portion of a \$2.5bn Euro-commercial paper programme. The US portion was signed earlier this year. Page 16

US computer industry, already battered by intensifying over-seas competition and rapidly changing technology, is now at the mercy of a slowing domestic economy and lower capital spending. Page 18

> NISSHO Iwai, big Japanese trading company, bought zir-con and titanium mines in Australia for A\$240m (\$190m). Page 15

NORTH SEA: drilling for oil and gas in the UK sector of the North Sea is expected to reach record levels in 1990, a review published by James Capel, London stockbrokers, said. Page 4

ing to Capt Lupoi, after the helicopter in which they had ly convinc defeat by news of the execu-

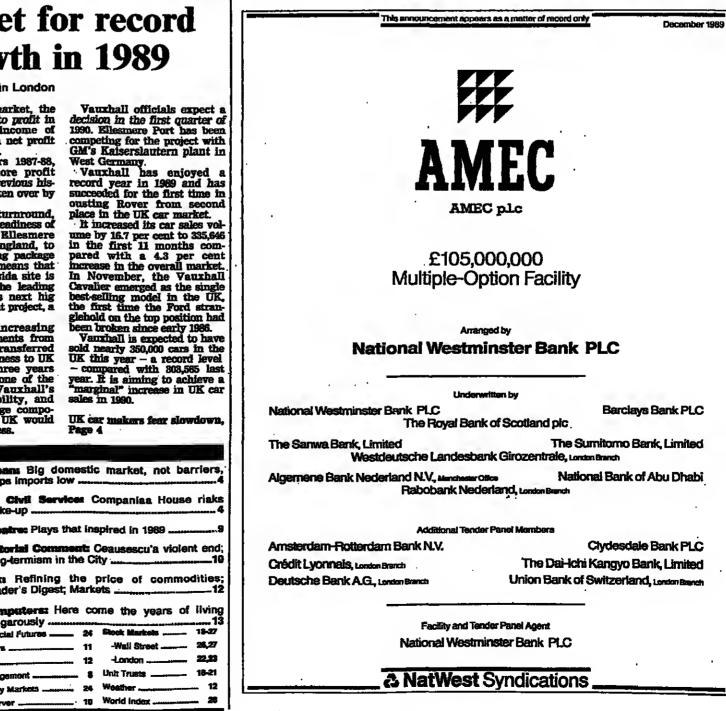
deteat by news of the execu-tions. However, sporadic gunfire still rang through parts of the Continued on Page 12 Other reports, Page 3; Edito-rial Comment, Page 10; Romania's raw revolution Page 10 Helicopter in which they had fied was forced to land. With them was General Nata, described by Capt Lapoi as a chief of police. The gen-arately by helicopter, was reported by the captain to have died when the helicopter Page 10

together in a V: both kept their outward composure thronghont, occasionally addressing a remark to each other.

The charges, which included genocide, salting away \$1bn in Swiss bank accounts and causing the economic and cultural ruin of their country, were

on Christmas Day: their bod-ies, lying crookedly against the wall, were videoed and that video was broadcast yes-terday afternoon on Romanian

That, it seems, after the flurry of false reports of arrest and escape and arrest again, really was the end.



## Vauxhall looks set for record 65% profits growth in 1989

By Kevin Done, Motor Industry Correspondent, in London

VAUXHALL, the British motor buoyant UK car m manufacturer and subsidiary of General Motors of the US, is company returned 1987 with a net expected to report a record operating profit of more than 2250m (\$395m) this year, an increase of 65 per cent from £152.4m in 1988. £31m, followed by of £151.9m last ye

In the two ye Vauxhall made than in its entire Vauxhall's net profit is tory since it was GM in 1925.

understood to have increased to more than £200m from £151.9m last year. It has achieved record sales and has emerged as the fastest growing The company combined with th its workforce a Port, north-wes leading car maker in the UK new car market. accent a far-reac new car market. The company's financial per-formance has been trans-formed in the last three years, after two decades of almost continuous losses. It will pay carporation tar for 1969 for the first time in 20 years. In 18 years to 1967, Vanxhall managed a marginal net profit in only two years, 1971 and 1978. From 1979 to 1986 the company ran up accumulated of labour reforms, means that Vauxhall's Merseysida site is also emerging as the leading candidate for GM's next hig European investment project, a

Silfom any anter plant. GM Europe's increasing sourcing of components from the UK – it has transferred about £450m of business to UK about 240m of dismess to UK suppliers in the three years 1986-88 - has been one of the factors behind Vauxhall's improving profitability, and the siting of a large compo-nents plant in the UK would accelerate this process. company ran up accumulated losses of £350.3m. Following a drastic reduc-tion in its operations since the late 1970s and helped by a

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	"We wanted to build a brand new company,"	UK Civil Service: Companiaa Hou
	explains Bob Bauman (left), manager of a	Theatre: Plays that inspired in 1989
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ise in the overall market. In November, the Vauxhall Cavalier emerged as the single best-selling model in the UK, the first time the Ford stranglebold on the top position had been broken since early 1986. Vanzhall is expected to have

valutati is expected to have sold nearly 350,000 cars in the UK this year – a record level – compared with 303,565 last year. It is siming to achieve a "marginal" increase in UK car sales in 1990.

UK car makers fear slowdown, Page 4

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activity returns to pre-1967 lev-

els and an annual growth rate of 3 per cent is achieved it will

in Panama.

### **OVERSEAS NEWS**



Tutu: criticising Israel

## **Tutu urges Israelis** to forgive Nazi holocaust

South African Archhishop Desmond Tutu yesterday urged Israelis to forgive the Nazis for killing 6m Jews during World War Two and condemned the historically presented people historically persecuted people for oppressing Palestinians, Renter reports from Jerusa-

Archhishop Tutu, on Christmas pilgrimage to the Holy Land, told reporters he would continue to criticise Israel's occupation of the West Bank and Gaza Strip even if it meant being called anti-Se-mitic and "black Nazi pig". Israeli vandals wrote "Intu is a Nazi" in black marker on

is a Nazi" in black marker on the wall of the Israeli Religious Affairs Ministry before the archbishop met minister Mr Zevulun Hammer there yester-

On Monday, they wrote "Tutu is a hlack Nazi pig" on the wall of St George's Angli-can Church in East Jerusalem, where he celebrated Christmas

Tutu said after visiting the Yad Vashem Holocaust Memo-rial that he would relay the following message to the chil-dren of victims of Nazi persecution:

"We pray for those who made it happen, help us to for-give them and help us so that we in our turn will not make others suffer."

Archbishop Tutu, who said on Monday that the struggle between Palestinians and Jews mirrored that between blacks and whites in South Africa, compared the starvation and ghetto life of Jews during the holocaust with that of blacks

honocaust with that of blacks living under apartheid. Later the Nobel peace prize winner told reporters: "When I find injustice and oppression anywhere in the world, whoever perpetrates it most know that I will condemn them and if I am accused of being anti-Semitic, tough luck."

## **Chinese liberal** dismissed from top union post

#### By Our Foreign Staff

a result of a conservative back-

ment in June, authorities moved quickly to arrest those active in trying to establish non-government organisations ZHU HOUZE, a senior Chinese trade union official linked to liberal policies, has been removed from his post, it was to represent workers' interests.

announced yesterday. Zhu was dismissed as vice president and first secretary of the state-controlled All-China The conservative leaders who took control after the the state-controlled All-China Federation of Trade Unions on Monday, Gongren Ribao, the Workers' Daily said. The paper gave no reason for his dismissal, and an ACFTU official said it was a "normal personnel change". The official would not say if Zhu, who held the ACFTU post for a little more than a year, had been moved to a new job. It was the second time in recent years that Zhu has apparently run into trouble as a result of a conservative back-

who took control after the June crackdown have followed the ouster of Zhao and Polit-buro member Hu Gili with a gradual campaign to remove from office those associated with Zhao's liberal policies. The Workers' Daily said Zhu had been replaced by Yu Hon-gen, former president of the China National Coal Corpora-tion.

Another senior economic planner was also replaced yes-terday, but there was no indi-cation that the move had any implications for policy.

Yao Yilin, a senior politburo member, was replaced as chair-man of the state's highest eco-nomic planning body, it was lash against pressures to make the party and government announced.

the party and government more open and democratic. He was fired as head of the Communist Party propaganda department in February 1987, less than a month after party chief Hn Yaobang was ousted for failing to stop pro-democ-racy student demonstrations. Zhn was thought to have summorted Hu's stance that the The National People's Con-gress, China's parliament, appointed Zou Jiahua, a tech-nocrat who headed the Machine Building and Electronics Industry, as the new minister of the planning comsupported Hu's stance that the party should become more tolmission. erant of dissent. In 1987 he was appointed deputy director of the Rural

State radio quoted Premier Li Peng as saying the move was aimed at giving Yao, 72, more time for his other responsibilities in the State Council, China's cabinet.

Development Research Centre, e think tank with ties to Zhao Ziyang, the party leader purged in June after heing charged with absting the stu-dent-led democracy movement. He was transferred to the trade union position in 1988, and was possibly held responsi-ble for the failure of union

China's cabinet. Yao's main hold on power rests in his position on the elite six-man standing commit-tee of the Communist Party politburo, China's top deci-sion-making body organ. Yao, considered a close ally of Li and, like the premier, a strong advocate of more cen-tral planning in the economy, has taken a leading role in enforcing an austerity drive to curb inflation. leaders to stop some of its members from participating in the pro-democracy campaign. China bans all independent unions, and after the military crushed the Tiananmen move-

## Panama's nationalism lies in ruins

The US invasion has undone the Torrijos legacy, writes Tim Coone

N FRONT of the shattered Amador harracks in Pan-ama lies the tomb of General Omar Torritos.

The progenitor of Panamanian nationalism, the destroyed Panamanian Defence destroyed Panamanian Defence Forces and the Revolutionary Democratic Party of Panama, there is now little left of his legacy. Only the 1977 Canal Treaty he negotiated with the Carter administration remains. Even that now has e dublous validity. "He must be turning in his grave," said a foreign reporter visiting the scenes of the first hours of fighting of last week's US invasion.

last week's US invasion. But although the invaders were cheered as liberators by most Panamanians, and the deepised General Manuel Noriega was ousted from power, resistance is continuing and neither the US troops nor the new government of Presi-dent Guillermo Endara have yet succeeded in re-establish-ing law and order. Almost a week after the

Almost a week after the beginning of the invasion, US troop presence in Panama City is almost non-existent except is almost non-existent except for those guarding strategic points. The havoc wrought by the hreakdown of law and order and the inability or unwillingness of the US inva-sion forces to do anything about it has inflicted infinitely more damage on the economy more damage on the economy than destruction wrought by the fighting. Looting losses are estimated at hundreds of mil-

hons of US dollars. There are scenes of anarchy and chaos in all the shopping centres of Panama City. Practically every store in the city has been looted. Bands roam the streets in stolen cars loaded with bags of stolen goods, looking to ransack stores for anything of commercial value. Broad sectors of Panamanian society have participated in the free-for-all. One middle-class woman who was stealing shoes from e shop along the formerly elegant Via Espana shopping district had the wheels from her car stolen by other looters. In many middle-class neighbourhoods vigilante gronps have sprung np and erected



**US Defence Secreta** 

barricades manned by people armed with pistols, shotguns and hunting rifles to prevent looters from robbing homes. Deaths are mounting. The foreign diplomatic com-

munity is furious about the lack of protection given to their emhassies. Several embassy buildings have been attacked by looters; the Brazil-ian embassy has been ran-

According to US military ommanders their orders are to concentrate on military tar-

Meanwhile, shortages of food and medical supplies are and medical supplies are becoming serious problems throughout the country. Queues of up to a thousand people have formed outside the few eupermarkets that have not yet been looted. The dire conditions facing the Panama-nian population contrast sharply with the relative lux-ury in which US troops have conducted their invasion. A apple cinnamon cake, still in its special plastic two, still in its special plastic tray, lies in the rubble of a destroyed neighbourhood in Panama City. A few metres away, there are still dead civilians in the smouldering rubble, days after the US bombardment of the

nearby headquarters of Gen Noriega killed them. Gen Noriega has given him-self up but the war is far from

utmost discretion.

dence on one corner of Panama

over. Senior US military officers are now "seriously con-cerned" about reports of PDF units and militias regrouping north-west of Panama City.

West European diplomets point out that the new govern-ment of Mr Endara is comment of Mr Endara is com-posed almost entirely of white faces, the so-called "Rahi-blan-cos" of the npper classes of Panamanian society whom General Torrijos despised. "They are white oligarchs," said one.

said one. The success and popularity of Gen Torrijos, although he was a military dictator for 13 years following a coup in 1988, sprang from bringing status and social mobility to the black and mixed-race majority of the Panamanian population. "He bought health, education and housing to them," said one dip-lomat. Public sector employ-ment was greatly expanded. The task of economic recon-struction is an urgent priority economy could cause severe inflationary problems. With the corrupting influ-ence and power of Gen Noriega out of the way, the path is cleared for left-wing and Marx-ist elements to assume leader-ship of the resistance forces. If at the same time President Endara attempts to roll back the profound changes brought about in Panamanian society as a result of 21 years of nationalist rule, 13 of them under the populist Gen Torit-joe, the latter's ghost may be back to haunt him. Even US troops recognise struction is an urgent priority for the new government but, given its right-wing orienta-tion, resources are likely to be channelled via the private rather than the public sector. This will alienate many public sector employees who face lay-

Even US troops recognise the power of Gen Torrijos' image. A US army public rela-tions officer said that during the fighting for Amador bar-racks US troops were instructed to avoid hitting the general's tornh. They did not After the imposition of US economic sanctions, the coun-try's GNP suffered a 25 per cent drop in 1988 and a further substantial fall during 1989. "Even if the level of economic general's tomb. They did not.

take action on Bofors scandal

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SC CLIERCE CEA INDIA'S new Government, alleging the Swedish Bofors arms company paid hithes to win a 1987 contract, said yes-terday that it would do no more business with the com-pany until it named Indians who took money, Reuter reports from Delhi. Indian news agencies quoted Mr Vishwansth Pratap Singh, the Prime Minister, as telling Parliament he had also asked Swiss and Swedish authorities for help investigating the \$1.3m deal. "Let it be shown clearly that there is no delaying on this issue and no compromise," said Mr Singh, who defeated Mr Rajiv Gandhi's Congress party in last month's election, campaigning largely on charges over the Bofors deal. Both Bofors and Mr Gandhi deny any bribas were paid to secure the contract for supply-ing army field guns. Mr Singh said Sweden had

take 10 years to recover living standards achieved earlier this decade," said an EC diplomat A rapid economic recovery

A rapid economic recovery is, however, essential if class and political tensions are not to resurface. Mr Guillermo Ford, the new Planning Minis-ter, has said that \$400m held in escrive accounts in the IIS ing army field guns. Mr Singh said Sweden had been asked to produce a 1987 report by the Swedish Audit Bureau on the Bofors contract. escrow accounts in the US and In October the Stockholm Govowed to the Pahamanian Gov-ernment is being released immediately. But all that money flowing back into the economy could cause severe In October the Stockholm Gov-ernment turned down a request by Mr Gandhie Gov-ernment to hand over the report, whose findings have been only partially disclosed. Sweden said it was for Bofors to clarify details of the transac-tion tion.

> Yugoslavia sets up stock exchange

Yugeslavia yesterday set up a stock exchange in the northern city of Ljublana, the official Tanjug news agency said, AP-DJ reports from Belgrade.

AP-DJ reports from Beigrade. It said the exchange was founded with a total capital of Dinars 20bn, and that 152 stocks representing more than 50 per cent of its capital were owned by 23 Yngoslav banks. The exchange will list Yngo-slav and foreign companies and will publish the so-called YUIX - the Yngoslav Index -of average closing prices of selected stocks at the close of each trading day. A capital and securities mar-ket was established last month in Belgrade in keeping with

in Belgrade in keeping with reformist policy of Mr Anta Markovic, the Prime Minister, who is intent on introducing Western market mechanisms into the economy.

#### **Algeria's FLN** purges the old guard

Veteran politicians were excluded from the leadership of Algeria's ruling National ration Front (FLN) party

## US oil refinery fire brought under control Papal Nuncio steps out into the limelight

#### By Our Foreign Staff

A FIRE at the second largest oil refinery in the US was brought under control yesterday, two days after an explo-sion crippled the plant and killed one worker.

Sunday's blast and the subsequent fire destroyed eight storage tanks holding more than 4m gallons of fuel oil and lubricants and two separator units which remove water tions, raised expectations of a from oil at Erron's 455,000 bar-

THE VATICAN'S man in Panama will be playing e role familiar to him in all but the Contract volumes were not expected to be interrupted, publicity which now surrounds it, writes David Gardner.

Excon said, because the com-pany's units in Texas and New. Jersey could take up any slack. A tanker of heating oil left Baton Rouge recently and the next tanker will not leave until Thoughout more than two years of crisis between the US and General Manuel Noriega's regime, Monsignor José Sebas-tián Laboa, the Papal Nuncio, But the accident, the latest in a series of incidents at oil and petrochemical installahas been the most valuable intermediary available. A wise and workly Basque Jesuit, Msgr Laboa several

City's bay became a mandatory stop for visiting and local US officials who often enough had to wait for Gen Norlega's emis-saries first to withdraw. No single person in Panama com-

mands more respect.

the Nunciature has given asy-lum to ministers in the governreaching a negotiated solution between Gen Noriega and Washington. These negotiament of former President Eric tions were conducted with the Delvalle, to the new President The Nuncio's modest resi-

Bush administrations. At stake in the outcome, in his view, is the relations Latin America Guillermo Endara, and now Gen Noriega himself. Msgr Laboa is also the very should enjoy with the US. In the aftermath of the US intervention and in the course of the negotiations over Gen Noriega's personal fate, Msgr Laboa is more than likely to active doyen of the diplomatic corps in Panama. Prior to this posting, he had made the larger part of his career in Though he has taken full

try to seek ways of limiting the account of the personalities damage to Panama's sover-

### **Coalition bill** of \$256m for immigration By Hugh Carnegy

#### in Jerusalem

THE Israeli Government has earmarked 500m shekels (\$256m) in the next financial year to cope with an anticipated wave of immigration by Soviet Jews which is now widely acknowledged to pose a profound challenge to the country's fragile economy. The 54.4bn shekels 1990-91

budget approved by the coali-tion cabinet on Monday carries the usual hefty allocation for defence spending, stretched for the third year running by the cost of policing the Palestinian uprising in the occupied terri-tories. The budget – still to be approved by the Knesset – foresees a deficit of 2.5bn shekels, or about 3 per cent of GNP. e significant improvement on that expected for 1989-90 - if it is achieved.

Senior government officials freely acknowledge that all their budget sums could be thrown ont by immigra-tion - including a modest planned shift away from direct to indirect taxation.

The 500m shekels spending set aside for immigrant absorption is based on an estimate that 40,000 Soviet Jews will come to Israel next year. But monthly arrival figures have leapt recently, already approaching such an annual rete. The Jewish Agency, which shoulders much of the absorption burden, reckons 250,000 will come within four years, swelling a present popu-lation of 4.5m. A combination of freer emi-

gration policies under President Gorbachev, poor economic conditions, s fear of a resurgence of anti-Semitism and tougher entry restrictions hy the US - the preferred destination for the vast majority - has pushed increasing numbers of Soviet Jews to head for Israel at a time of little growth and high unem-ployment in the Jewish state.

The extra funds next year will be spent on new housing and other infrastructural needs, subsidised mortgages, languege training and other provisions. The inflow may help push up growth next year after a stagnant 1989, but may also spur annual inflation currently at 20 per cent.

> . . . . . . . . . . .

rel-a-day refinery in Baton rise in prices. There were fears that the Rouge, Louisiana, company officials said. explosion and fire could strain The only larger plant in the US is an Exxon plant in Bayan already tight market for fuels.

town, Texas. The cause of the blast, which killed one and injured four, was still being investigated. A gas release, perhaps brought on by record cold temperabuilding on the strong demand brought about by the bitterly cold US weather. tures, was suspected to have caused the accident, said plant manager Ed Galante. Exxon said the blast dam-

production would resume.

from Kuwait.

two cents at 70.89 cents a gal-lon on the New York Mercan tile Exchange yesterday while limitless January oil jumped nearly four cents to 85.75 aged some internal pipelines cents

but the plant's producing facili-ties were not affected. The Windows were broken in a ehopping centre in Baton Rouge several miles away and company did not know when there were reports of looting. came within an ace of in the course of the conflict, involved, Msgr Laboa has eight

## Concern over news management by US military

ONE of the more disturbing issues raised by the US invasion of Panama has been the deliberate effort by the US armed forces to control the release of informa-tion and to place obstacles in the way of journalists attempting to obtain sources Heating oil futures rose, February heating oil was up of information independent of the US invasion forces, writes Tim Coone.

On the first two days of the invasion the press was denied access to Panama. It was only last Friday, the third day of the invasion, that some 300 journalists, including the FT's correspondent, were permitted to fly into the Howard US Air Force Base in Panama on charter flichts Force Base in Panama on charter flights

from Miami and San José in Costa Rica. For a further 36 hours we were held virtually as prisoners on US military installations in Panama, were given very limited information on what was happen-ing and access to only a half a dozen telephones to file our stories. Many of us were unable to meet deadlines. At Howard Air Force Base no food

At Howard Air Force Base, no food apart from popcorn was available. The journalists were restricted to only two rooms in one building, and only two telephone lines were provided. When dead US soldiers were brought on to the base, TV cameramen and photographers were

pushed and ordered away from the win-dows. Senior US military officers told the journalists it was too dangerous to allow them into Panama City. An option was then given of flying back to the US, on a military flight. More than 140 journalists chose to do so.

Finally, on Saturday afternoon, those who remained were permitted to leave the US bases and venture into Panama City. Accurate casualty figures, both military and civilian, are thus hard to come by. Official US casualty figures of 23 soldiers dead and 303 wounded after one week of

to FFr47.2bn this year.

41

tended to see the conflict as more than a clash between Gen

Noriega and the Reagan and

fighting are being seriously questioned.

French current account

deficit narrows slightly

By William Dawkins in Paris

THE FRENCH current account

deficit reached a seasonally adjusted FFr8.6bn (£910m) in

the third quarter, a slight improvement on the FFr8.7bn

shortfall in the previous three

months, Finance Ministry esti-mates showed yesterday.

Within that, the surplus on the services account showed a

the services account showed a marked rise, helped by the country's successful tourist industry. However, there was still a steep overall deteriora-tion in the current account over the first three quarters.

The cumulative current bal-ance of payments total in the nine months to September reached a deficit of FFr7.3bn after adjusting for normal month-to-month variations, against a shortfall of FFr2.4bn

in the same period of last year. That includes visible and

on Monday when its politburo was elected by a large majority, Reuters reports from Algiers. The new politburo confirmed President Chadli Benjedid's

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decision to liberalise the politi-cal system. The FLN, which has railed Algeria in a oneparty system since indepen-dence in 1961, is now one of more than 30 political parties. The party's central committee elected a 15-member politiburo and re-elected Mr Abdelhamid Mehri secretary-general.

#### **Comoros parties** form unity pact

The main political groups in the Comoros Islands, ruled briefly by white mercenaries after President Abmed Abdallah was assassinated a month ago, agreed on Monday to form a provisional national unity government, Reuter reports

invisible foreign trade results, plus unilateral transfers such The groups decided at a as the repatriation of foreign workers' savings and France's meeting that the provisional government should organise a multi-candidate presidential payments to the European Community budget. In crude unadjusted figures,

election, ending single-party rule in the Indian Ocean islands. The meeting also however, the third quarterly current account deficit showed a sharp reduction to FFribn, agreed to proclaim an annesty for all political prisoners and open an inquiry into the death of the President. from FFr6.2bn in the previous three months, or from the FFr2.5bn shortfall shown in

#### the third quarter of 1988. This reflects a rise in the cumula-tive surplus on the services Ethiopian charged over coup bid account, from an unadjusted FFr25.2bn to FFr43.3bn. Meanwhile, the visible goods

Fourteen high-ranking officers implicated in a coup attempt against Ethiopia's President sector, still a worrying feature of the French economy, put in Haile Mengistu Mariam last a worse performance, where the unadjusted nine-month def-May were charged yesterday with attempting to overthrow icit rose from FFr34bn in 1968 the government, Renter reports from Addis Abaha.

FINANCIAL TIMES

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NY (0022) Financial Times (Scandinavia),Ostor-gude 44, DK-1100 Copenhagen K. Der-mark, Telephone (01) 13 44 41. Fax (01) 935335.

KUWAIT has pledged investment in China following a two-day visit to the oil-rich

in the United Arab Emirates. He is seeking to cament China's foothold in the region and boost economic aid from the conservative Arab states to offset e Western boycott fol-lowing Peking's spring crack-down on China's democratic

Knwait established diplomatic relations with China in 1971, the first Gulf states to do

It also boasts extensive overseas investments, with some already diverted into projects



in China, the world's largest

Communist nation. The officials said Knwait's emir, Sheik Jaber al-Ahmed al-

upgrade the legal and technical framework of their coopera-The accords were signed by Knwaiti Finance Minister Jassem al-Khorafi and his Chinese counterpart, Wang Bingqian, at the end of a meeting of the

Sabah, and Yang agreed to expand economic cooperation. Chinese-Kuwaiti Commission on Economic and Technical on Economic and Technical The Kuwait Fund for Arab Conversion Economic Development, the government's lending agency,

The appointment of Kuwait's Oll Minister, Sheik All Khalifa al-Sabah, as the head of the team assigned to escort the agreed to finance six more development projects in China, including a \$25m airport, the officials reported. The fund is financing 12 pro-jects, worth more than \$300m, Chinese leader indicated the growing co-operation between the two countries in the oil and gas sectors, according to West-Knwaiti and Chinese offiern diplomats.

cials signed two protocols, one for economic and technical cooperation and the other for The state-owned Knwait Petroleum Corp. headed by Sheik Ali, is currently carrying averting double taxation, to out exploration work in China.

> On the political front, the minister for court affairs, Sheik Khaled al-Ahmed al-Sabah, said that talks between Jaber and Shangkun covered international developments.

## Chun to answer misconduct charges in Seoul

in China

**Kuwait pledges new investment in China** 

FORMER President Chun Doo-hwan will testify before the National Assembly soon on charges of misconduct, corrup-tion and human rights abuses stemming from his seven-year rule, officials said yesterday, AP reports from Seoul.

The ruling Democratic Jus-tice Party said the disgraced leader had received a summons to testify on December 31. Chun left office in February

1988 after turning over power to former associate Roh Tae-woo, who was elected president two months earlier.

Chun's predecessor, Choi Kyu-hah, also was expected to testify before the assembly, the ruling party said. Choi, 70, served briefly as a

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figurehead president in late 1979. He was succeeded by Chun, who seized power in an A total of 48 people, includ-ing relatives of Chun's family, internal army coup. Roh and the opposition

Chun testifies

announced agreement Dec. 15 on the testimony and other have been convicted of corruption and power abuse. measures aimed at resolving Chun went into rural exile at disputes over Chun's rule. South Korean politics have a remote Buddhist temple in

been plagued by public demands to clear the legacy of ing to the nation for misrule and misconduct and surrender-Chun's authoritarian rule to ing \$24m in unused political pave the way for a more open funds government and greater demo-Chun was expected to cratic reforms.

answer questions about human rights abuses, corruption and Under the eccord, former army general Lee Hui-sung and former defence minister Chung misconduct in office. Ho-yong were expected to resign from politics before

He also was expected to have to answer questions about his alleged role in using the mili-tary to quell a 1980 civil upris-

Lee is head of a state-run company, and Chung is in the National Assembly.

wember 1988 after apologis-

Kwangin. By official count more than 1,500 were injured and 200 killed. Many critics argue that the uprising, the bloodiest in mod-

ern Korean history, was used by Chun and his associates to seize power in the chaotic days that followed the 1979 assassination of President Park

staged violent protests to demand that Chun be arrested and punished. The main oppo-sition parties have publicly promised not to raise n Chum-related issues once

demands are met. Dissidents have denou the agreement as a sell-out

ing in the southern city of

Japan USA 117.0 104.9 123.9 W.Gerthany UΚ Chung-hee. Radicals and dissidents have

oppo- nlicly more		Oct.'89	Sept.'89	Aug.'89	Oct.'88	7
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RETAIL PRICES (1985=100)

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THE FUTURE

### ROMANIA

## SECURITATE Diehards slip away as army fans out By Judy Dempsey

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AFTER days of shooting and the loss of several thousands of lives the Romanian army is slowly asserting its grip on the country. But the victory is far

from ov For the time being, the army, helped by civilian armed-revolutionary committees, has set up road blocks and security checks throughout the coun-

Members of the Securitate, the dreaded and reviled secret police, have already given themselves up in some cities, such as last in the east of the country. As a result, some Romanians are optimistic, but

others remain sceptical. After 25 years of intense training and indoctrination, the Securitate will remain a force for many more months. No official figures are available as to how many members have given themselves up or have been killed in the fierce street fighting and nobody knows how many cells actually

Mr Ion Vlad, chief of the Securitate, who moved over to the National Council of Salvation, was asked at the weekend hy Romanian television how the Securitate was organised. He shrugged his shoulders and said he did not know.

But it is now emerging that the Securitate was divided into four anti-terrorist units. One of them was under Mr Nicolae Ceausescu, the other under his wife, Elena, and one under his son, Nicu. The other unit was a highly-trained force consisting of around 40,000 men, many of whom were brought up in

orphanages. In addition, the organisation still retains a vast network of underground passages and safe houses. An engineeer who once worked on the monumental Palace of the Republic, Mr Ceausescu's gift to the people to remind them of his immortality, said the palace was spe-cially designed to allow escape routes for the Securitate,

In addition, the Securitate still retains a vast network of underground passages and safe houses

The fact remains that, several hours after Romanian television broadcast the execution of the Ceausescus, snipers



**Quartet of leaders faces** 

Buigaria

His final fall from power

sophisticated, but none the less

trol over the factors involved

Peasants' party

Romania's first non-Commn-

poets Ion Alexandru, Aurel Dragos Municanu and Marin

Sorescu, actor Ion Caramitru,

historians Paul Schuster and Alexandru Zub and academic Ion Manzatu, as well as Ortho-

dox Bishop Justinian Maramu-resann and Roman Catholic

Bishop Ioan Robu.

This was the me age spelt out by the Council for National Salvation, which was set up after Mr Nicolae Ceausescu was ousted from power on Fri-day. The Government rests on three planks: members of the Romanian Communist Party, a cross section of the country's

tiny dissident community who for years have suffered under the Ceausescu regime, and the came in 1987, when unexpect edly and to the surprise of his colleagues, he managed to pub-lish in Romania Literara, the weekly publication of the Romanian writers' union, a

But probably the most respected man is Mr Ion lliescn, who now heads the Council for National Salvation, Born in 1930, he is the son of a Communist, who was a mem-ber of the illegal Communist movement before the Second

World War. He quickly rose to be chair-man of the Romanian students' association, and later secretary of the central committee of the Union of Romanian Working Youth central 1956 to 1960. His career remained untar-

nished during the 1960s when, after working for several years in the central committee, he was appointed first secretary of the Young Communist League and later was made Minister of Youth in 1967. This was the time when Mr

Ceausescu, who had been in power for two years, embarked on a cautious and short-lived programme of liberalisation aimed at wooing the popula-tion, particularly the intellectua

During that period, which lasted until about 1971, Mr lliescu continued to climb up the party ranks, becoming cen-tral committee secretary for from February until Joly 1971. By then, the "thaw" was over. But despite this, Mr

lliescu managed to survive, becoming first secretary of the perty organisation in Iasi, an important university centre in the east of the country.

He was even appointed a non-voting member of the pow-erful political executive committee (the equivalent of the politburo) in 1974, later becom-ing a member of the state council in 1979. It was then that he started to

break ranks with the party's unswerving loyalty to Mr Ceausescu. After he returned from the Soviet republic of were still shooting close to my Moldavia, he was demoted to

general in the Romanian army 100 miles who, during the revolution of Friday and Saturday, quickly moved over to the side of the National Council of Salvation. His main task will be to coutinue the rooting out of Securi-tate members and to equip the BUCHAREST

army with modern weapons. The other most important man in this quartet is Mr Dum-itri Mazilu. He is well known to the United Nations and to other Western organisations for his repeated criticism of the

for his repeated criticism of the country's human rights record. Last year he tried to deliver to the United Nations in Geneva a specially drawn up report on the condition of human rights in Romania. He was prevented from doing so, recalled to Romania and placed under 24-hour house arrest, constantly surveyed by two constantly surveyed by two car-loads of security men.

During the riots in Timi-soara last Wednesday night, Mr Mazih was taken by the Securitate from his home to barracks south of the city. But scathing, critique of the regime's economic and social policies. In the article, he wrote that "it is necessary to develop effective forms of public conhe was unexpectedly rele and since then has been cata-pulted into power. He will play an important in power and political deci-

sion-making processes that, as a rule, are conservative." part in re-establiehing Romania's relations with foreign countries. More impor-tantly, he will have to act swiftly to set up firm contacts between Western human rights organisations and other European countries to re-establish Romania's place in the conti-

nist political party since the Communists took over in 1947 announced its formation yes-terday following the over-throw of Nicolae Ceausescu, But the Government, while it seems optimistic and deter-mined to reassure the popula-tion that it is going to establish Reuter reports from Bucharest. The National Christian Peasant Party aimed to achieve the nation's "moral rehabilitation on a Christian and peasant foundation, which for 2,000 order as quickly as possible, has one other factor with which it must contend. This is years proved to be the Roma-niau nation's backbone", the the future of the Communist Romanian newe agency

party. Since 1971 it has not really Agerpres reported. Committee members included writer Doina Cornea, existed as a party. Although it has 3.5m members out of a population of 21.5m, the party was always under the thumb of the Securitate. There were no party secretaries, no teachers, no editors, no book publishers, no hotel staff, no managers the whole broad spectrum of the population involved in the Communist party was directed by the Securitate.

In fact, unlike the other Communist countries in East-ern Europe, there was no func-Mr Illescu, however, will need much support from his other

tioning party. As soon as the new Govern-ment was elected, there were tiny groups of people in the centre of Bucharest demanding allies. The Number Two, who is now Prime Minister, is Mr Petre Roman. Little is known about him except that he is understood to be the son of Walter Roman, a senior mem-ber of the Communist party in that the party be disbanded completely. In reality, there is no such party, and whether the Mr Roman is expected to try to establish some solid econew leadership will even bother to discuss its leading role re



A woman weeps at the grave of her husband in central Bucharest, where over 100 victims of fighting were buried yesterday SOVIET REACTION

services available.

Romania.

Romania

of order in Bucharest.

weeks ago overthrew its con-

weeks ago overthrew its con-servative party leeder for a more progressive figure, Mr Pyotr Luchinsky, has itself sought to identify with the upsurge of national sympathy, calling a special day of volun-tary labour on Christmas Day to contribute to relief in Romania.

Mr Perfilyev said 35 cars

nationals were being evacuated from Romania, although their

train was delayed by broken electricity cables. Tens of thousands of people

in Moldavia have been demon-

strating in support of the Romanian revolution in recent

**Tacit approval for execution** By Quentin Peel in Moscow

ter, announced in Moscow on Christmas Day.

He said a meeting of Warsaw with food and medicine had Pact foreign ministers had been considered by the Soviet already been sent from the neighbouring republic of Moldavia to Romania. At the same time, 330 Soviet

bloc allies, and rejected. "In the common conviction of the allied states, the destiny of the country is in the hands of the Romanian people and, despite the bitter resistance of the former of the little resistance of the forces of totalitarianism, they will win the struggle for freedom and democracy," he

> Taking this into account, the [Warsaw Pact] allies agreed on the advisability of avoiding any collective actions thet could remind one of practices

which could be construed as interference in the popular overthrow of Ceausescu, while also making clear its political support for the revolution. Yesterday's further state-ment, by Mr Vadim Perfilyev, a Foreign Ministry spokesman, on the execution of the Ceauand, since the advent of Mr Mikhail Gorbachev, as a bla-tant relic of Stalinism.

among the first to rush humanitarian assistance to Romania, including preparing 6,000 hos-pital beds to receive injured victims of the fighting, and also making blood transfusion

PRESIDENT'S SON

## **How Nicu** Ceausescu was seized

A ROMANIAN printer told yesterday how he recognised and arrested Nicu Ceausescu, the deposed President's son, as he tried to flee in a car driven by a heavily-perfumed woman. Reuter reports from Budapest. Mr Ivan Maru told the Hun-

Mr Ivan Mart told the Hun-garian newspaper Nepszabad-sag that he overpowered Nicu, a notorions playboy, and took him to the television centre, where he appeared on camera looking dazed and bruised. Mr Marn said he had been checking cars near Bucharest's Baneasa domestic airnort on

days, in an upsurge of national sympathy which has brought with it calls for reunification of the Soviet republic with Baneasa domestic airport on Friday with a group of vigilan-tes. "I saw a metallic-coloured That remains a key potential embarrassment for the Soviet tes. "I saw a metainc-coloured Oitcit (Romanian-made car) approaching. We forced it to slow down and stop. Four of us surrounded it and one of my buddies told the driver to identify herself," he told the anthorities arising from the overthrow of President Ceausescu, and a big reason why Mr Gorbachev certainly wants to see the fastest possible return However, the Moldavian Communist Party, which only

He said he noticed the car's registration number started with 4B, which he had heard meant it belonged to the Securitate secret police.

"A very elegant woman was driving the car. The scent of fine perfume poured out of the car when she palled down the window.

"Her papers were in order, but we saw that a man was sitting behind, his cap completely pulled down. We could Mr Maru said they asked her who he was and she replied:

THE Soviet Union yesterday appeared to give its tacit approval for the execution of Mr Nicolae Ceauseson, the deposed Romanian dictator, and his wife Elena, just a day after announcing its "unequiv-ocal support" for the National Salvation Front which has accurate power in Puncharat

assumed power in Bucharest. A Soviet spokesman insisted yesterday that the double exe-cution, after the summary

judgment of a military tribu-nal, "apparently took into account the aspirations and will of the Romanian people". The statement reflected a said. consistent Soviet determination to do absolutely nothing of the past."

**President Mikhail Gorbachev** sescus, underlines just how litcongratulated the new leader, Mr Ion lliescu, on his election as chairman of the National tle sympathy the Romanian dictator enjoyed in the Soviet Union. He was always seen as an ideological embarrassment We and our allies unequivocally support the revolutionary

cally support the revolutionary renewal, the just struggle of the Romanian people, and the efforts of the National Salva-tion Front council that has pro-claimed a programme of far-reaching democratic reforms," Mr Ivan Aboimov, a The Soviet Union has been Soviet Deputy Foreign Minis-

### FRENCH REACTION

hotel. "They have not yet be defeated," seid a young hotel . Water Council, during which assistant. And not only in Bucharest, the nerve-centre of the revolu-the country's environmental

tion, does the Securitate still operate. Beyond Bucharest, the other nerve centres are in Timisoara, a short drive from the Yugoslav border, in Arad, just south of the Hungarian border; in Cluj, the centre of the Hungarian minority; and in Brasov. The citizens of Timisoara have been exposed to repeated gunfire and super fire, which starts early in the morning and recurs late in the evening. In Arad, the secret police seem to have gone into hiding. In Cinj, however, the ficrce fighting which erupted last Thursday night has quietened down. But the news from Brasov,

home of the country's 200,000 ethnic German minority, is

suspiciously quict. It was here, in November 1967, that the Securitate mur-dered scores of workers who had demonstrated against the Ceansescn regime. Since then, and up to last weekend, the city had been run like a mini-

police state. The point about these four centres is that they are strate-gically located near border crossing points or else are near the mountains, crucial hide-

the mountains, crucial inte-outs for the secret police. Furthermore, even if the army today has almost full control of the country, tomor-row, next week or even next month, these people, mixing with the crowd, may suddenly emerge to drop a grenade in a packed church, just as one Securitate officer tried to do at the weekend at an Orthodox church in Bucharest.

There is one other question sceptical Romanians are askdiplomat based in Vienna whether a Securitate cell was when a permitted cell was still in the embassy, he replied: "The day Ceausescu was lifted out on the helicopter, they dis-appeared. We do not know

East European defence attachés in Bucharest firmly believe that Securitate members who are based abroad, not only in embassies but in foraign trade organisations, Tarom (the national airline), the tourist agencies and its own intelligence units abroad.

are all now waiting. True, their leader has been killed, no longer issuing orders from his underground bunker. But even had Mr Ceausescu died a natural death, it is becoming increasingly clear that the Securitate would have fought on.

chairman of the Natio

possible and leave defence mat-ters to the new Minister for Defence, Mr Nicolae Militaru. The latter was an important

the 1950s.



Soldiers and civilians guard Ceausescu's rooms in the Communist Party building in Bucharest

THE MILITARY

more important, however, is establishing law and order, an awesome task for this new and brave quartet.

## **Bush may** restore trade privileges

US REACTION

Salvation Front.

By Nancy Dunne in Washington

US OFFICIALS have moved swiftly to establish diplomatic relations with the new Government of Romania while regret-ting that the trial of Nicolae Ceausescu and his wife was not conducted "in an open and public fashion".

In an official statement, the White House extended its con-gratuations to the National lvation Front and promised its support "as it struggles to achieve its announced democratic values". The US business community

is also welcoming the new Government and expecting a resumption of trade ties, cut in July 1988, over human rights violations.

President Bush may move puickly to restore Romania's Most Favoured Nation status and its only-free trade privi-leges under the Generalised System of Preferences.

## Paris recognises new **Bucharest Government**

#### By William Dawkins in Paris

FRANCE gave official recognition to the new Romanian Government over the weekend and mobilised large amounts of medical and food

aid for the struggling country, in a gesture reflecting wide-spread public sympathy. "The French Government recognises the National Salvation Front as the sole legal authority in Romania," said a Foreign Ministry statement. Meanwhile, the Government promised assistance to help the country's recovery. "The deep and solid affinities which link us are guarantees of our wish to aid you in your reconstruc-tion," added Mr Roland Dumas, the Foreign Minister, in a mes-

sage to the Romanian people. Mr Michel Rocard, the Prime Minister, noted "the courage of the Romanian people, who have overturned a dicatorship under extremely dramatic cir-cumstances." His number two in the Government, Mr Lionel

"He is my lover." "I reached in and pulled off "I reached in and pulled off his cap. I saw it was Nicu. He got ont and pretended to search for his papers. Then suddenly he ran away. I ran after him and jumped on him." Mr Maru said he radiced for Jospin, the Education Minister, was the only member of the administration publicly to indi-cate disquiet at the speed and an army car to take Nicu, despised party leader in the city of Sibiu, to the television secrecy of the Ceausescus' trial

and execution. "Naturally, one always pre-fers trials to be public, but beadquarters. these are tragic events and at the same time full of the hopes now being experienced by the Bomanian people," he told French television. Former **Olive branch** from Hungary

The new Romanian Government was keen to French television. Former French President Valéry Gis-card d'Estaing criticised the Government for failing in the past to take a tough line against the Ceauseacu regime. Meanwhile, donations flowed in from all over France. The Government opened reception points at all of the country's 1,200 public hospitals. The aid group Médacins sans Frontières has sent 25 doctors and 38 tonnes of drugs, and another group, Médacins du Monde, has sent 45 tonnes of medicines and equipment. resolve old differences with Hungary and hostility between the two countries was over for good, Hungarian Foreign Min-ister Gyula Horn said yester-day, Reuter reports from Budapest. Ties between the two War-

saw Pact alles have been strained recently, particularly over Mr Ceausestu's treatment of Bomania's big ethnic Hun-garian minority.

Hungary has already organ-ised aid for its neighbour.

Tension between Securitate and army is likely to remain

Jonathan Eyal explains why Romania's security forces may have difficulty in coming to terms with a new era

The bitter week-long fighting in Romania may have sealed the fate of Ceaucescu's dicta-torship but the conflict between the armed forces and the hated Securitate is likely to rumble on, for it is based on a traditional competition for resources and influence within

the country. It is apparent that, although the It is apparent that, although the Securitate has been annihilated as an organisation its agents will con-tinue to provide the army with a persistent challenge. After the sum-mary execution of President Ceau-cescn and his wife members of this organisation are unlikely to expect much mercy from the Romanians; some would try to escape from the country while others are already hiding in the Carpathian mountains. The number of violations of Hun-garian territory and air space has

garian territory and air space has risen sharply in the last few days, prompting a general state of alert at Hungary's frontiers. Isolated clashes between the Securitate and the army can therefore be expected for many

months to come. Yet, Romania's military will also have a much more crucial role in the country's internal politics. For almost a quarter of a century, Ceau-

part in Ceancescu's vast construc-

tion projects. In effect, the army was treated as a source of cheap labour and its vic-tory over a much pampered Securi-tate was therefore particularly sweet. Indeed, the army has caused more than just a victory in one bat-tle; by its behaviour during the last week it has also been, transformed week it has also been transformed into a genuine national force. Thus alone among the East European military, the Romanian armed forces have shaken off the taint of associ-ation with the Communist Party.

There is little doubt that the military will seek to build upon this advantage. For this reason alone, closer military co-operation with other Warsaw Pact states is unlikely to be a military priority; instead, Romanian generals will prohably seek additional state funds partly in order to replace equipment destroyed during the recent fighting and partly in order to make up for years of neglect. The current favour-able image of the Romanian military

would also shield them from the effects of any political reforms. Thus, for instance, there is little likelihood that a democratic governlikelihood that a democratic govern-ment elected after the April elec-tions will seek to impose a civilian minister on the army. Nor is it very likely that Romania's defence budget will be reduced by much. The most crucial question is that of the military's involvement in this political succession. Although Romania has no tradition of direct military interference with tha civil-ion government if has a great erne.

ninitary interference with this civi-ian government, it has a great expe-rience with military influence on political administrations. The Council of National Salvation

which currently runs Romania is well aware of its dependence on the armed forces, but seems to believe that this dependence cannot be reduced in the near future. Its most progressive members, however, are clearly hoping that by appointing professional soldiers to command positions (rather than party officials in uniform) this influence could at least be kept in check.

The freshly appointed leadership of the Defence Ministry bears testi-mony of this fact. The new Defence Minister is General Nikolai Militaru,

Although Gen Milifaru was a candi-date member of the Romanian Com-munist Party's Central Committee at the end of the 1960s, he seems to have concentrated on strictly mili-tary commands, such as that of the Second army and Bucharest. Gen Militaru is assisted by two deputies. The first is Gen Gusa, the armed forces' chief of staff since 1986. He is certainly politically vul-nerable because of his former associ-

nerable because of his former associ-ation with both Ceaucescu and his Communist Party.

N evertheless, Gen Gusa's adroit handling of the army's deployment in the last few days and his apparently committed effort to defeat Gen Ceau-cescu's forces seems to have secured his position, at least for the time being. The Defence Minister's other deputy Gen Stanculescu, is particu-

larly interesting. An artillery soldier by training, Gen Stanculescu already served as Deputy Defence Minister in 1981. However, since 1985 he was responsible for Romania's arms industry, an extensive production network developed during the 1970s with Ceaucescu's personal encouragement. His

presence at the new Defence Minis-try is probably an indication that the arms industry would continue to be promoted, partly because the Roma-nian military regards an indigenous arms supply as the best guarantee of the country's relative independence within the Warsaw Pact, and partly because the industry remains a valu-able source of hard currency reve-nues. However, Romania's military clients are likely to change from clients are likely to change from Ceaucescu's preferred shady deals with Arab and African dictators to more open contracts with other countries. The new Romanian politi-

medicines and equipment.

cal leadership would probably encourage this diversification. Ultimately, the attitude of the military towards its future political masters would be dictated by two major factors: the nature of the country's political parties and the evolution of ethnic minorities.

The military is unlikely to be con-cerned very much with the resurrection of the Communist Party, for this party is perceived by most Romanians as synonymous with Ceancescu's rule and by most sol-diers as a reminder of a complete neglect of their profession. The Romanian officers, shielded

from most co-operation with the Soviet Union and other Warsaw Pact Soviet Union and other Warsaw Pact states for years, are also unlikely to find such a transfer of allegiance from Communism to other political groupings very difficult. However, the attitude of the military towards the current political process in Romania would change radically should political parties prove mable to develop a countrywide stable structure or should Romania's etb. structure or should Romania's eth-nic minorities - especially the two million strong Hungarians -

become too assertive. For the moment, the omens are good: Gen Stanculescu has estab-lished good relations with the Hungarlan military during his private visit to Budapest in the summer of this year. The first indications of the role of the military in Romanian society will come very soon.

Society will come very soon. The present provisional govern-ment in which the military take part will prepare the country for general elections. It will be during this period of preparation when it will become clear whether the military have merely swopped loyalty or have actually changed their minds. Dr Eyal is Assistant Director of Royal United Services Institute, Whitehall.

### **OVERSEAS NEWS**

## **Japanese surplus** falls 'are key to market stability'

#### By lan Rodger in Tokyo

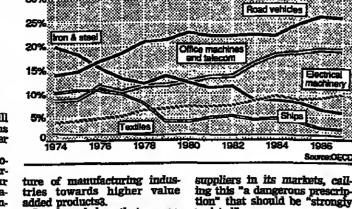
FRESH DISRUPTIONS of international financial markets, similar to Black Monday in October, 1987, could occur unless Japan continues to reduce its current account sur-pluses, the Organisation of Economic Co-operation and Development has warned in its latest annual survey on the

latest annual survey of a Japanese economy. The Japanese current exter-nal surplus needs to be seen as part of an international pattern of surpluses and deficits, a patof surpluses and deficits, a pat-tern which — if it continued for a prolonged period — might lead to cumulative positions that could engender financial market disruption," the report says in its concluding section. Despite this stern warning, the OECD gives the Japanese authorities high marks for the progress they have made in restructuring the economy

restructuring the economy away from dependence on exports in the past few years, and for the reductions to date in the country's surpluses in terms of gross national prod-

Bat it is worried that the substantial progress this year has been due to some extent by the unexpected weakening of the yen and it fears that the weaker yen "may jeopardise further external adjustment in

the medium run". The survey observes that the Japanese economy is perform-ing extremely well, with new peaks in capacity ntilisation being achieved this year leading to low unemployment and a high rate of business invest-ment but, so far, not to high inflation. The OECD is forerelative prices by transforming the output mix and cost struc-



Japan : Export structure

Per cent of total exports (values)

casting that the economy will grow 4.5 per cent in real terms in 1990, and a further 4.3 per cent in 1991. Tha ona concern on the eco

nomic front, apart from exter-nal balances, is that labour shortages could cause the inflature of manufacturing industries towards higher value added products3. tion rate to rise. The Govern-ment's draft 1990-91 budget, published on Sunday, seemed to be in line with the OECD's view that, given the strength It acknowledges that aggres-sive competition by Japanese companies and the relative concentration of Japanese exports on a limited number of of private sector demand, "a broadly neutral stance of fiscal products has resulted in trade friction. However, it notes that policy" would be appropriate. Similarly, the Bank of Japan's 0.5 per cent discount rate increase on Monday was con-

The OECD gives the Japanese authorities high marks for restructuring the country's economy away from dependence on exports

sistent with the OECD'a recommendation thet any further weakening of the exchange rate should be resisted.

detail the controversial issue of The OECD has devoted considerable space in this report to analysing Japan'a trade behaviour and has found gen-erally that the country has Japan's relatively low level of imports but finds no conclu-sive evidence that it is the result of exceptional protecbeen moving rapidly to open markets and ease regulations. It points out that the country's tionist m Still, as the report puts it: "It is a political fact that the per-sistence of the large current external surplus causes considexceptional export performance over the years has been supported by "strong price competitiveness, high quality erable trade frictions and risks provoking protectionist meaof its products and an out-standing ability to adapt to changes in world demand and sures in other countries." The OECD seems particularly upset about proposals that Japan set official targets for its current surplus or for shares of foreign

resisted". As Japan depends heavily on the continuation of a liberal world trading system, the OECD suggests that it "should be one of the countries taking the lead when it comes to rolling back barriers to the international movement of goods and services" export volumes have stagnated in response to the substantial appreciation of the yen since

1985 and have been gradually replaced by output from over-seas production facilities. The survey examines in

resisted".

international movement of goods and services". The OECD'a other complaint is thet the standard of living of the Japanese people is still low in comparison to the country's high per capita income, and it urges the Government to take action to reduce working hours and to eliminate a plethora of outdated laws, regulations and taxes that make many goods and services, including land, unnecessarily expensive. "Japan's GNP per head is the fifth highest in the OECD when measured at current exchange rates, but valung it on a purchasing power parity basis puts Japan in only the tenth position. It would there-fore be opportune for Japanese fore be opportune for Japanese living standards to be brought more closely into line with the nation's productivity," the sur-

vey says. It points out that many of the measures that would improve living standards would also contribute to reduc-ing the trade and current account surpluses account surpluse

## Big domestic market, not barriers, keeps imports low Ian Rodger looks at the OECD survey of Japan

retailers.

HE PERSISTENCE of manufacturing industries, sub-Japan's large trade surplus is undoubtedly one of the main reasons for a resur-gence of accusations, especially from the US, that the country's markets remain largely closed

to imports. There is no donbt that Japan's import propensity is much lower than that of most OECD countries. In a special section on this controversial subject, the OECD's 1988-89 Economic Survey on Japan shows that the country's man-

these long-term sub-contractsidy levels were abont the same in the US and Japan. ing practices are becoming more popular in other coun-There have been problems in the vagua area of informal import barriers, such as govtries, "and their prominence in Japan marks a quantitative rather than a qualitative differernment procurement practices ence compared to inter-industhat lack transparency, unnec-essarily complicated standards try relationships in other countries". and certification procedures, differences in legal frame-works, differences in the appli-

cation of patent law and regulations that protect small However, many of the comtively unimportant. reas have

Complaints abont purchasing preference being given to members of Keiretsu (big multi-sector company groupings, such as Mitsui and Mitsubishi) are also considered to be rela-

noints to

Next year's budget takes shape By Robert Thomson in Tokyo

JAPANESE GOVERNMENT ministers are due to meet today to discuss revisions to the draft of the 1990-1991 budget, which is designed to maintain tha country's present

over the present fiscal year, although that calculation does not take into account a supplementary budget this year which has lifted total expendi-ture slightly above the draft FINANCIAL TIMES WEDNESDAY DECEMBER 27 1989

### UK NEWS

## Companies House risks shake-up

Hazel Duffy continues her series on Civil Service commercialisation

OMPANIES House, which documents all company returns, will be one of the first of the new Next Steps agencies to be put on a more commercial footing after the recent introduction of the Government Trading Bill. The bill is to extend trading fund status to more sections of government.

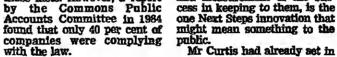
A fund provides a financing framework thet distances the body from the day-to-day finan-cial controls by Whitehall that cover the vast majority of the civil service. Mr Stephen Curtis, chief executive of Companies House,

will not be there to relish the change. Next April, he will bead the Driver and Vehicle Licensing office when it becomes another Next Steps agency - the name given to the new agencies under the hill

hill. It is a little over e year since Companies House became the second Next Steps agency. The event took Lord Young, then Trade and Industry Secretary, to Cardiff, the main offices of Companies House. The staff looked slightly benused at the time; it was hard to know what changes an agency would

Since then, they have had a flesting viait from Mrs Thatcher, hosts of visitors from other parts of the British

from other parts of the British Civil Service and from over-seas bureaucracies, all eager to learn if agencies are the answer to the question of how to improve public services without pushing up costs. Basic facts about all British companies must be registered regularly with Companies House. That has been the law since 1844, when the registra-tion offices were in Somerset House in the Strand. The main The compliance rate today is nearly double. By 1991 it must be 83 per cent, if Companies House is to reach the "stretch-ing targets" - in Lord Young's words - set for it by the Gov-ernment last March. Mr Cur-tis's successor must also cut the time taken to process docu-ments by 20 per cent, so that they will be available to the public within 18 working days of receipt. Froductivity must House in the Strand. The main part of the office moved from the less salubrious City Road of receipt. Productivity must be increased by 12 per cent, real unit costs reduced by 7 per The Government's regulaceut. Publication of targets, and measurement of the sucdepends on up-to-date files on Accounts Committee in 1984 found that only 40 per cent of



By Richard Tomkins, Midiands Correspondent

Stephen Curtis: has tried to make the organisation more responsive to its the threat of a strike over a train many more steps towards making Companies House more responsive to its "cus-tomers." Staff in the section dismissal. The vote went against a strike but it was a sobering experience for the statistician experience for the statistican turned manager. The chief executive gets a salary of less than 249,000, although the agency has brought him the chance to earn an undisclosed bonus. Staff will also share in a bonus scheme if targets are met, although the amounts will be event.

helping the public now wear a uniform, for instance. Docu-ments can be delivered to com-panies by fax. Satellite offices are being opened in Manches-ter, Leeds, Birmingham and Clearow Next year, documents that

are already partly completed from information filed with Companies House will be sent out in place of the sent return forms, so that they can then be simply confirmed or amended by the company. A register of all company The compliance rate today is

directors and secretaries is being developed which will enable searchers to identify all. the directorships held by an

the directorships held by an individual. Research into the possibility of storing 400m pages of infor-mation on optical discs is going on in Cardiff. If the experiment is successful, infor-mation could be made avail-able to searchers via computer the agency model has probably the best chance of changing the face that the Civil Service able to searchers via computer terminals.

Agencies are bringing home the harder aspects of being managers, as well as the boo-quets. Mr Curtis switched to presents to the public. Whether it makes much difference for the staff, as opposed to the amali number of people recruiting some staff, instead of relying on the DTI • "it is very much quicker" • but he has also had to contend with at the top, remains to be

Mr Curtis had already set in

**CIVIL SERVICE** 

Further articles in the series will appear on the UK pages. **Rover sets up schools link North Sea** drilling record is

Trading fund status will sharpen up the disciplines and freedoms that are beginning to take shape in Cardiff. The chief executive will be able to carry

over money from one year to

the next, for instance, as well as to juggle between pots for

staff pay and accommodation costs, for instance, during the

In a relatively distinct and small business, like Companies House, which earns money from fees, and covers its costs,

## forecast

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each plant, which will have a high content of work-related activities across the curricu-By Maurice Samuelson lum, and Saturday morning DRILLING for oil and gas in skill learning clubs for pupils will be organised at the

the UK sector of the North Sea is expected to reach record lev-1990 In some cases, Rover will pay for special facilities in schools to help to train chilreview of offshore exploration published this week by James Capel, the London stockbrodren in such topics as technolkers ogy and business skills. The first of these "Rover Rooms" – a careers centre costing £5,000 – has just opened at Banbury School in Oxfordshire. A design and It says the industry anticipates that oil prices will stay around \$18 a barrel. The 1990 drilling programme will also be stimulated by new acreage awards and the need for comtechnology centre is in prepa-ration at Shenley Court Com-prehensive School in Birming-ham, and a third will soon be panies awarded licences in the ninth licensing round to start exploration by the middle of the year. After analysing the forecasts of 35 operators, Capel con-cludes that 330 exploration and established at a school in Swin-The partnership will also develop teaching support mate-rial for schools across the appraisal wells will be drilled in 1990, more than 70 per cent country and introduce an in the UK sector. BP will be award scheme for the best the UK's busiest driller, while Norsk Hydro will be Norway's. In Norway, production might rise in 1990 by around 16 per cent if the authorities in Oslo do not implement a 7.5 per cent restraint on output, says a separate report by County Nat-West WoodMac, the Edinburgh Reliant will soon start an stockbrokers. A fleet of 80 Metrocabs ia WoodMac has also upgraded the estimated reserves in Nor-way's producing oilfields by operating on a trial basis in Sydney. A left-hand-drive version of 400m barrels, or about 8 per cent. At the same tima, the Norwegian of industry is cutthe Metrocab is being devel-oped at a research and develop-ment facility recently opened ting its capital and operating costs and increasing producby the company at Tamworth. Meanwhile, Raliant has developed a marine version of the engine used in its Rialto three-wheeler, for use in boats and a two-seater water "motor-cycle," which it is to manufaction of oil and natural gas

growth cycle withont over-stimulating the economy. The Ministry of Finance draft provides for a Y66,273bn (£287bn) budget, which, in raw terms, is a 9.7 per cent increase

offices to Cardiff in 1976. tion of the corporate sector those facts. However, a report by the Commons Public

only 2.8 per cent of GDP in 1987, compared with 7.5 per cent in the US and 14.8 per cent in West Germany.

Nevertheless, the aurvey concludes that "there is little evidence in general to support the contention that import impediments (either formal or informal) imposed by the Government are e decisive factor". It suggests that "the abundance of human capital (both workers' skills and diligence) relative to natural resource endowment" partly explains the relative paucity of manufactured imports.

It says that some business practices, notably the prefereuce of companies for loug-term trading relation-ships, make it difficult for new companies, both foreign and Japanese, to enter some sec-tors, but this has been one of the contributing factors to the

The survey points to three special fectors affacting Japan's import behaviour: • The country has e large unified domestic market with a per capita income among the highest in the world. As a rule, the larger the domestic mare smaller the import/ GNP ratio.

• Japan's isolation inhibits imports, especially of manufac-tured goods. New Zealand and Australia show similarly abuormally low import ratios.
The fact that Japan has few resources other than its human capital leads it naturally to outperform others in sophisti-cated manufacturing industries.

The report cites a number of recent academic studies of the Jepanese import issue, but observes that the results differ widely, depending on the assumptions made and method used, and so no clear conclusion can be drawn.

lt theu examines Japan'a barriers to imports, discovering that tariff rates on industrial products average 2.6 per cent, which is lower than that in both the US and the EC. Also, in non-tariff barriers, a recent study by the World Bank found that the overall extent of non-tariff barriers in Japan is similar to that in the US, although the coverage is larger in agriculture and food in Japan and wider in manufacturing in the US.

Similarly, the Japanese Government's use of subsidies is not badly out of line. In 1987, the ratio of subsidies to GNP was 1 per cent compared with 0.7 per cent in the US and 2.7 per cent in OECD Europe. In

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been dealt with in the Market- of the Fair Trade Commission

	1988	1969	1990	1991
Demand and Output				
Private consumption	5.0	2.8	3.7	3.8
Government consumption	2.2	2.0	1.0	1.6
Gross Fixed Investment	13.4	11.1	6.5	4.8
Public	6.6	0.2	1.5	1.5
Private residential	13.4	1.1	2.3	2.9
Private non-residential	16.0	18.0	9.1	6.2
Final domestic demand	7.5	5.7	4.6	4.0
Stockbuilding	0.2	0.0	0.1	0.0
Total domestic demand	7.7	5.6	4.6	4.0
Exports of goods and services	8.1	14.1	9.6	9.2
Imports of goods and services	21.3	19.0	9.9	8.0
Foreign belance"	-1.9	-0.8	-0.1	-0.2
GNP at market prices	5.7	4.8	4.5	4.3
GNP deflator	0.4	1.3	2.6	2.5
Balance of Payments				
Exports (Son)	259.8	275	299	332
Importa (\$bn)	164.0	190	213	236
Trade balance (Sbn)	95.0	85	86	96
Current account balance	79.6	61	61	69
(Per cent of GNP)	2.6	21	21	22

Some business practices, notably the preference of companies for long-term trading relationships, make it difficult for new companies, both foreign and Japanese, to enter some sectors, but this has been one of the contributing factors to the economy's efficiency

Oriented Sector Selective in 1988 which found that the (MOSS) negotiations between Japan and the US between 1985 and 1987. Also, as e result of the Japanese Government's share of intra-group trading transactions of companies in the six largest Keiretsu accounted for 10 per cent action programmes in the early 1980s to promote imports, stan-(excluding financial transac-tions) of their total sales. The commission also found that the choice of important capital goods purchased is little affected by Keiretsu member-ship, but certain standardised services such as non-life insurdards and certification systems for many products, including drugs, cars, telecommunications equipment and farm machinery, were simplified. Another area of concern to ance or pension fund manage-ment tend to be provided by financial institutions within foreigners has been Japan's

unusual business practices. These are more difficult to the group. Other obstacles to foreigners change, especially the practice of "repetitive trading" with of "repetitive trading" with suppliers through "sub-con-tracting", e form of implicit in Japan's business culture include the tradition of busilong-term contracts between companies. According to Japan's Fair Trade Commislarge amounts of each others' shares, a practice which pre-vents hostile takeovers. Howsion, 80 per ceut of capital goods purchases by all firms were of a repetitive nature. The survey suggests that this system has several advan-

sitions in Jepan rose 60 per cent from 1984 to 1988 to 240 tages - eliminating the costs of frequent price negotiation, permitting tighter inventory cases and that they have become socially acceptable. Tha domestic retail netmanagement and contributing works, especially those for to joint efforts to improve qual-ity. At the same time, it main-tains some of the important household appliances and pas-senger cars, have been largely controlled by manufacturers, a benefits of efficiency gains system which prevents the from competitive pressures compared with in-house pro-duction. entry of newcomers. However,

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the increasing number of inde-pendent discount stores has The survey observes that gradually changed this pattern.

figure for next year. A sign that the Government is concerned about potential overheating is the marginal 0.3 per cent increase in public works spending, which it has previously used to stimulate economic growth. It is widely believed that if the economy does show signs of slowing, the Government will be tempted to draft a new public works pack-age to maintain growth. Defence spending is to increase by 5.5 per cent, although the final figure is, for tha first time in four years, likely to fall below 1 per cent of

gross national product. The defence budget is a sensitive

issue among Japan's ueigh-bours, which have criticised

allocations above the 1 per

cent level. The budget provides for a 5.9 per cent increase in aid to developing nations and inter-national aid organisations,

which will make Japan the

world'a leading donor on e dol-lar basis for a third successive

In producing the draft, which comes less than two months before a general elec-tion, the ministry has gener-ally resisted the temptations of

pra-alection handonts, although it did allow for e 6.2

and Industry (Miti) is negotia-

be around 4.5 per cent.

year.

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ness-related companies holding

ever, the report notes that the

number of mergers and acqui-

The Rover Group Education Partnership has been launched in order to stimulate pupils' interest in manufacturing and prepare them for jobs in engineering. Rover, which employs 40,000 people, takes on 400 school

leavers a year, and the programme is partly intended to satisfy the group's own recruit-

ROVER GROUP, the car-

making subsidiary of British

Aerospace, will forge stronger links with schools to attempt

to counter the shortage of

youngsters going into engi-

group, commented: "It's just as much a part of our investment in the future as spending bilkions of pounds on high tech-nology and new model development

The company also sees the develop a network of Rover programme as fulfilling a partnership schools around

years. It will set up enterprise centres at the Longbridge plant in ries at the Longoridge plant in Birmingham, the Cowley plant in Oxford, the Canley head-quarters in Coventry, the Land Rover plant in Solihull, near Birmingham, and the body pressings plant in Swindon, Wiltshire. Those centres will act as a

to promote engineering

wider responsibility towards the community, improving the quality of the workforce for all

employers. The programme will extend

a series of informal links that have been built np between

individual Rover plants and

nearby schools over the last 10

ment needs. Mr George Simpson, the managing director of the Those centres will act as a focal point for partnership programme activity - training teachers on secondment, run-

ning work experience courses, and training Rover staff who have become school governors. The programme will also

## work experience programme. **Reliant will double taxi output**

#### By John Griffiths

RELIANT, the UK vehicles and pointing sales of its SS1 sports plastics group, has started an expansion programme thet includes more than doubling production of the Metrocab

taxi in January. Reliant is creating about 100 jobs, representing a 20 per cent increase in the workforce. It is also diversifying into marine products and industrial

fare spending and a larg-er-than-expected rise in allocations for new railway lines. tion - which makes the rival to the Carbodies of Coventry The budget, reflecting gov-ernment concern about the FX4 London black cab - comes level of public debt, does not include the use of deficit finanafter the move of the Metrocab manufacturing operation from Birmingham to Reliant's base cing bonds for the first time in years, and allocates in Tamworth, Staffordshire. It bought the taxi operation Y14,290bn, or 21 per cent of expenditure and a 22.5 per cent from the Laird group for £4m a increase on last year, for the servicing of outstanding gov-

ernment bonds. Conscious thet the coming year could be marked by increasing trade tension, the Ministry of International Trade

## Car makers fear slowdown in sales

#### By Alice Rawsthorn

ting a revision of the Y2.2bn set aside for import promotion, and would like Y2.3bn more. Negotiations by various min-istries over budget allocations THE British car market, which was buoyant through 1989, will are expected to be completed slow down next year as the squeeze on consumer spending by Friday, and a revised draft is expected to be presented to the cabinet at the weekend. and high interest rates increases consumers' caution The official Economic Planabout spending money on new cars, according to the Society of Motor Manufacturers and ning Agency predicted at the weekend that the economy would ahow 4 per cent real growth next fiscal year, down

This year has seen seven slightly on its 4.6 per cent estimonthly sales records set, and the society estimates that the total number of new cars sold mate for this year. However, most private economists believe growth next year will during the year reached a record of 2.3m.

car, was tha subject of a reverse takeover by two build-ing companies this year. Mr Carl Turpin, the new export drive.

don.

chief executive, says that he intends to turn Reliant into a broadly based industrial and property group which will be capitalised at £100m by the end

Reliant already produced Metrocab'e plastic composite body for Laird. With the annual black-taxi

market in the UK standing at 3,000 to 4,000 units, Reliant is understood to believe it could ture after the acquisition of Jetwave, a maker of motorised surfboards. soon sell at least 1,000 Metro-

Mr Turpin says Reliant has a 90-strong network of dealers in Europe to handle its marine itself to frequent redesign because of the low tooling costs for its plastic body. Previously unavailable taxi features such as air conditionproducts, which will be 100 per cent British.

The sector is dominated by be raised from 10 to 25 vehicles features such as air condition. Japanese manufacturers but, a week. ing may be on offer, which says Mr Turpin, "we will be Reliant, faced with falling may boost Metrocab's slice of able to beat the Japanese on three-wheeler sales and disap-

It expects the market to

fewer people would be able to afford or would be willing to weaken in 1990, with overall new car sales falling to between 2.1m and 2.2m. buy new cars. Glass said there would still Glass's Guide, recognised as be strong demand for used the "bible" of the motor trade, cars. Consumers were more likely

However, the SMMT also

was more pessimistic, predict-ing that new car sales would be as low as 2m. The SMMT said the continuto opt for "value for money" in their choice of a used car, rather than to buy on the basis

ing high level of interest rates of age. would make it more expensive to buy new cars through hire said: "Wa all forecast a drop in sales for each of the last three purch General pressure on dispos-

years. Each time we had a able incomes would mean that record year."

liquids. The 7.5 per cent restraint on The 7.5 per cent restraint on production, which was last applied to the second half of 1989, was intended to help sta-bilise world off prices. Analysts believe, however, that it may now be discontinued.

**Doctors** protest over excess hours

JUNIOR DOCTORS camped for 24 hours on pavements outside hospitals around Britain yes-terday in a renewed campeign over their working hours. The British Medical Associa-

tion's hospital junior staff committee, which represents 28,000 junior doctors, said the average duty hours were 82 a week, while 140-hour weeks had been worked. It wants a maximum

72-hour week. The BMA said that patients suffered as a result of doctors long hours.

It said: Tired doctors cannot treat patients to the best of their ability and run the risk of making mistakes, as well as becoming irritable with patients and relatives who

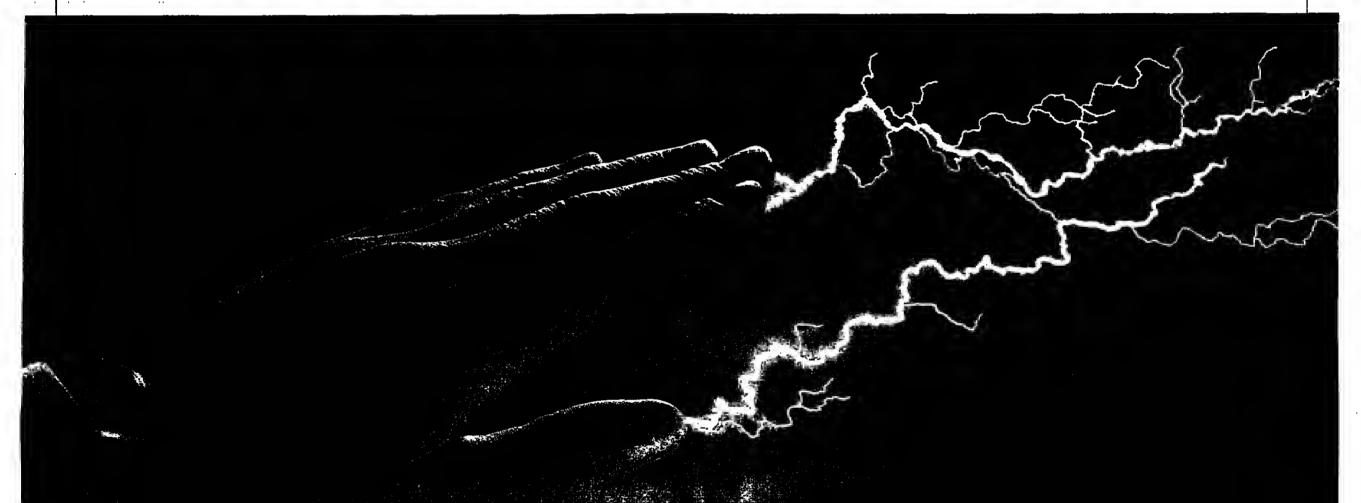
need a sympathetic ear." Protests took place in Lon-don, Birmingham, Edinburgh, Bristol and Newcastle.

cabs a year. The Metrocab also lends

few months ago. Output is to be raised from 10 to 25 vehicles

of 1992. engines. The company is investigating further acquisitions. Expansion of the taxi opera-

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FINANCIAL TIMES

## House price slide likely to persist during 1990 By Alice Rawsthorn

### THE sluggish housing market is set for a further shamp next year, but should experience a modest recovery in 1992, according to a new survey from the Halifax Building Society, Britain's biggest home mortgage finance organisa-

tion. The Halifar predicts house prices will fall by 10 per cent in 1990 because of the continuing problems posed by high interest rates.

The housing market has been depressed – especially in affluent areas such as the sonth-east of England where mortgages tend to be higher – since the spring. Property prices have fallen and many people have straggied to sell their houses. The Halifax said the chief reason for the slump was that the increase in interest rates meant property had become too expensive for many people. But the market was adjusting and property prices were fall-ing to more accessible levels. Once prices have fallen far enough, the market should recover. The Halifax expected property prices to strengthen The housing market has

property prices to strengthen in the medium term because of

in the medium term because of healthy demand, tighter con-trols over the supply of land and a shortage of new homes. Another building society, the Woolwich, recently pre-dicted a property boom in the 1990s in which the average price of a house would rise from £58,000 to £200,000 by the end of the century. The Halfax was convinced that the long term frend

that the long term trend towards home ownership would continue.

It expected the growth in the proportion of households owned by the 30-59 age group to counter the reduction in the number of young households. It forecast that three quarters of the population would own their own homes by the end of

the century. In the meantime, according to the Halifax, housing would be a buyers' market. Weak demand, falling prices and a dearth of competition from other would be bargains about there would be bargains about for those people that are able: to afford a new home.

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## **Defence groups slow to react** to Europe's changes, union says

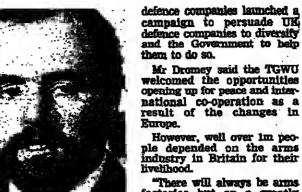
By Michael Smith, Labour Correspondent

BRITISH DEFENCE companies lag behind their competitors in developing the alternative products needed to preserve jobs in the face of political change in east Europe, a trade union leader said yesterday. Mr Jack Dromey, national

Mr Jack Dromey, national secretary of the Transport and General Workers Union (TGWU), Britain's biggeat union, said hundreds of thou-sands of jobs would be lost unless British companies set up alternative products units along the lines of that estab-lished by MBB in West Ger-many. many.

The MBB unit employed 200, said Mr Dromey, but British companies did not have compa-

rable operations. Mr Dromey was speaking as



Jack Dromey, TGWU secretary

representing workers in British

## **Tribunal rules British Telecom guilty** of unfairly retiring an employee at 60 By Diane Summers, Labour Staff

AN INDUSTRIAL tribunal has ruled that British Telecona is guilty of unfair dismissel by retiring a person at 60, the normal retiring age at the com-pany. It is the latest in a series of tribunal cases relating to BT workers who were over the retirement age.

The wrangle about the dis-missal of older workers between BT and the NCU, the trade union representing engi-neers, has implications for other organisations, particu-larly those that offer pensions to workers who are below the statutory retirement age. Civil Service and ex-Civil

Service organisations, in per-

Rail and sea unions to vote on merger

#### By Flona Thompson, Labour Staff

MEMBERS of the National Union of Railwaymen and the National Union of Seamen will from next week be balloted an the merger of their two unions. They will be asked to approve the new rule book and constitution of the merged union, which will be called the National Union of Pall Maria National Union of Rail, Mari-time and Transport Workars and known as RMT. The ballot will take between



ticular, could be affected.

The tribunal decision follows BT's success, however, on the same issue in another 22 cases vetirement age.

general secretaries.

six and eight weeks, because many NUS members will be away at sea, and the unions expect that the formal merger The new union will have 137,000 members, made up of the NUR's 115,000 and the NUS's 22,000. The NUR has a full-time will take place in April or May. Mr Jimmy Knapp, general secretary of the NUR, will take The NUR has a min-time executive, whereas the NUS's is part-time, but has been car-rying ont a reorganisation since the recommendations in April 1988 by academics at Warwick University after a year-long inquiry. the same role in RMT. Mr Sam McCinskie, present general sec-retary of the NUS, will be RMT's executive officer and will deputise for Mr Knapp. There will be three assistant

## Hotel chain introduces the labour. saving maid defence companies launched a

campaign to persuade UK defence companies to diversify and the Government to help By John Gapper, Labour Editor

> A NEW grade of chambermaid A NEW grade of chamber share who checks her own work has been introduced by Common-wealth Hotels International, the UK operator of the Holiday Inn franchise, as part of an effort to improve labour pro-

> ductivity. The hotel chain has reduced the number of housekeeping supervisors it needs to employ by training "self-checking

supervisors it needs to employ by training "self-checking maids" to oversee their own cleaning of rooms. A comparative study of hotel worker productivity in West Germany published by the National Institute for Eco-nomic and Social Research last month concluded that better work organisation in German hotels raised productivity. The study concluded that housekeeping supervisors in medium-sized British hotels were occupied mainly with detailed supervision of maids' work, while their German counterparts had a more stra-tegic role. Commonwealth Hotels, which runs 11 Holiday Inns in Britain, has eliminated super-visors entirely at its new hotel in Swansea, which it has designed to improve labour productivity. At Swansea in Wales, its

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At Swansea in Wales, its maids are under the control of a single housekeeper. The company would traditionally have employed a housekeeper, an assistant and one or two supervisors to monitor maids' most in its layour hotels.

work in its larger hotels. The new grade of maid is paid about 10 per cent more than the traditional worker. The company says it passes on most running labour cost savings, while benefiting from reductions in fixed costs such as national insurance.

as national insurance. Mr Jan Habrecht, operations director, said one of the aims of the reorganisation of maids' work was to increase their involvement in the job by giv-ing them greater responsibil-ity, while reducing manage-ment hierarchies. The company has also started to introduce quality circles - groups of different grades of workers which dis-cuss ways of improving work organisation - at its hotels.

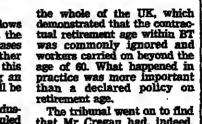
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## JANUARY 9, 10 & 11, 1990:



that were brought together before one tribunal earlier this year. The NCU is backing an appeal which it expects will be heard next March. In the latest case, an indus-trial tribunal in Belfast roled that Mr Patsy Cregan, 60, was protected by law against unfair dismissal. BT had argued that he did

not have protection because it has a declared policy of retiring workers at 60. The tribunal's deciaion hinged on statistics, relating to



that Mr Cregan had, indeed, been unfairly dismissed. In the 22 cases dealt with together earlier in the year, BT argued successfully that the

organisation was a collection of separate undertakings and so national statistics on retirement age were not significant.



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NEC, Birmingham

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FINANCIAL

11.20 BOARD MEETINGS-Finate; Flamin; Castors & Wheels

#### Trade fairs and exhibitions: UK

**January 4-14** Loodon International Boat Show (0932 854511)

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**Earls** Court January 6-10 International Lightshow Exhibition (0588 4658)

Olympia January 10-12 Supercomputing Exhibition and Conference SUPERCOM-PUTING EUROPE (01-948 5166)

Olympia January 12-14 British Horse and Rider Show

(01-834 1717) Wembley Centre

January 13-18 International Toy Fair (01-226 6653) . .. Harrogate

January 18-21 Antiques Fair (04447 2514) Kensington Town Hall January 22-27

International Hotel and Catering Exhibition - HOTELYMPIA (01 948 9900) Olympia

January 28-25 Enterprise Exhibition (01-642

7688) Barbican, London

January 27-31 British International Toy and

#### **Overseas** exhibitions

January 8-11 International Hotel, Restaurant and Catering Industries Trade Fair - HORECAVA (01-495 7977) Amsterdam January 10-13 International Home and Household Textiles Trade Fair -(01-225 5566) HEIMTEXTIL (01-734 0543) Frankfurt January 13-15 International Fairground and Leisure Park Equipment Trade Fair - INTERSCHAU (01-236 0911) Stuttgart (01-486 1951) January 12-17

#### **Business and management conferences**

January 9 The Institute of Economic Affairs: The state of the econ-omy (01-799 3745) QE2 Conf Centre, London January 10

Textile Institute: Textile interi-ors - a challenge to innovation (061 834 8457) Heimtextil Exhibition, Frankfort

January 11 HS Couf: The audit secretary today (01-935 2382)

Cafe Royal, London January 16-17 Spectra: Electronic marketing

1990 in retailing and finance (0734 320177) Regent Crest Hotel, London

unuary 17 Gouldens: Cross border merg-ers and acquisitions seminar )1-583.7777) Mayfair Inter-Continental (01-583.7777)

Hotel January 22

Profex: The United Kingdom

gow February 13-15 Corporate Computer Security '90 International Exhibition and Conference (0733 60535) Novotel, Hammersmith February 14-16 The Property Business + Enterprise 3 (01-834 1717) Barbican, London February 20-22 London Food Exhibition (01-486 1951) Wembley Centre

Hobby Fair (01-701 7127)

January 30-February 1

February 4-8

(01-855 9201)

(0892 44027)

Construction Industry Com-puter Exhibition (01-251 5885)

International Spring fair

February 7-9 Undersea Defence Technology Conference and Exhibition

February 7-11 Scottish Boat, Caravan, Camp-

ing and Leisure Show (041-221 1759)

Exhh and Conf Centre, Glas-

Carpets, Rugs, Decorative Goods and Home Accessories Exhibition; Jewellery, Gold and Silverware, Clocks, and Silverware, Clocks, Watches and Gifts Exhibition; and 25th Internetional Light-ing Exhibition - LUMINAIRE Paris February 8-14 International Toy and Hobby Fair (01-930 7251) Nuremberg February 9-18 International Boat Show Helsinki property insolvency conference (01-950 0400) The London Marriott Rotel January 22-23 Financial Times: Creating a Euro-workforce in the 90s (01-925 2323) Hotel Inter-Cootineotal, London IBC: Global emerging stock markets - the potential for the

1990s (01-637 4383) Portman Inter-Continental Hotel, London **January 23** Joint CB/British Gas Conf. Tunisia - Future prospects for

the UK (01-379 7400) CBI Centre Point, London January 25

iere: 1992 · Opportuni-Hawks ties and pitfalls for European insurance (01-824 8257) Institute of Personnel Manage-

ment: Pay in the 1990s (Compensation Forum) (01-946 9100) London

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## **CONSTRUCTION CONTRACTS**

## **Docklands railway extension**

The contract for the major part training and trial runs, allow-tracts: construction of the rail-of the extension of the Dock-ing the railway to open for pas-way betwen West India Dock lands Light Railway, from Poplar to Beckton, has been awarded to MOWLEM-TAY-1992 LOR WOODROW JOINT VEN-TURE. Worth Sliem, the contract is

for the construction of eight for the construction of eight kilometres of double-track rail-way, including 11 stations, plus storage sidings and workshops to be built on the site of the former Beckton gasworks. Construction will take 32 months, and work starts next

month. This will be followed by a four-month period of staff

## Earth satellite switching centre

SOUTHERN. MOSS a subsidiary of Beazer Regional Constructico, has been awarded two cootracts together worth nearly £12m. The largest, at £5.6m, is for a digital international switching ceotre at British Telecom'e

earth satellite station in Here- 1990. ford. The project comprises a single-storey building with a floor area of 400 sq metres and an nuusual domed roof, and requires the integration of complex services. Work has started, for completion in late

## Tarmac builds high technology blocks

Refurbishing and fitting out

near Birmingham.

Specially designed buildings for high technology work, cost-ing £8.5m, are to be built by TARMAC CONSTRUCTION at a business park in the West Midlands. The five two-storey buildings are the latest stage of a £17m development being constructed

for the Birmingham Business Park Partnership at Coleshill, Opencast

order

Stated to be Britain's biggest opencast mining contract, an order worth £150m has been awarded by the British Opencast Executive to CROUCH MINING, a wholly-owned sub-sidiary of Ryan International The 15-year contract for Stobswood, near Morpeth, Nor-thumberland, is to mine 12.2m tonnes of coal, sending out 20,000 tonnes weekly, mostly railborne, for the power station, industrial (particularly ICI Wilton), and export markets. Five years' restoration work

will return the land to farming and woodland. The site conrecoverable fireclay.

way betwen West India Dock senger service at the end of Road and Prestons Road (Balfour Beatty Construction); 44 The Reckton extension has a

vehicles for the Bank and total project cost of £240m, with most of the funds being provided by the London Dock-lands Development Corpora-tion, and the balance from Lon-don Regional Transport. Beekton extensions are oo order from BN Constructions Ferroviaires et Metalliques SA nf Belgium, with major sub-systems from Hawker-Siddeley

Contracts are in progress to Rail Projects, Chippenham extend the railway 1.5 km west, by tunnel to Bank Sta-tion, and to upgrade the exist-ing railway for the operation of double-length trains. (deliveries are planned for the end of next year); and construction and supply of automated fare collection equipment by Westinghouse Cubic. There are three further con-

> The other contract, valued at \$5.5m, is a design and build project for Smiths industries in Cheltenham. It comprises a June 1991.

manufacturing plant to bouse the engineering processes for making aviation equipment.

goods store for the Co-opera tive Wholesale Society; aod will rehabilitate the rates hall and offices of Liverpool City

ried out for the bank at Hemel Hempstead and Bristol. At Ruthin, Clwyd, the com-pany is to build a £1.28m dry



MIVAN, Crumlin, has been awarded a £6.5m contract by Northern Ireland Airports to build e cargo terminal at Bel-fast. The work will include a two-storey freight forwarders building, a freight yard, and a 35,000 sq metre concrete apron. The contract, which will create 130 construction jobs, is expec-ted to last 48 weeks, and is in three phases.

WALTER LILLY & CO, a Lovell Group company, has a £3.5m contract to fit out KPMG Peat Marwick McLintock's new offices at Clarendon Road, Watford. The 90,000 sq ft four-storey development (*pictured left*) was let following its comple-tion in November by Lovell Construction which built the block under a £12.8m contract for the Burton Property Trust. Lilly is to fit out all but the ground floor. Work includes building a main klichen and dining room for 400, a computer suite with raised floor-ing, plus partioned and open plan offices on each floor.

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BRIEFS....

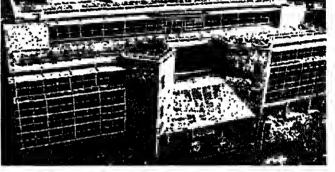
SHEPHERD DESIGN AND BUILD has won a contract worth over £32m for Pier 4 at Gatwick Airpart, iovnlving provision of a 412 metres long pier which will provide passen ger access to aircraft via six attached nodes. Transfer to the pier is over a 130 metres long bridge from the North Termi-nal. Completion is planned for

\* \* \* JOHN LELLIOTT GROUP has two projects. One, at £1.7m, is a four-storey 2000 sq metre extension to the Town Hall and assembly rooms for Watford Borough Council. The other, at £1.53m. is far a four-storey office development at Rains-

ford Road, Chelmsford, for Brookglade Properties.

LAING CIVIL ENGINEERING has won a £1.8m contract for phase II of the Basildon sewage treatment works extension. due for completion by December next year.

## 



These new offices at Clarendon Road, Watford, will provide 90,000 sq ft accommodation for KPMG Peat Marwick McLintock, the international accountancy firm. The block has been built by tains over 300,000 tonnes of Lovell Construction, and is now being fitted out by a subsidiary, recoverable fireclay. Walter Lilly & Co.

telephone the organisers to ensure that there have been no changes to the details published

#### FINANCIAL TIMES CONFERENCES

#### CREATING & EURO-WORKFORCE IN THE 90s 22 & 23 January, 1990 - Londoo

This two-day conference will open with keynote eddresses by The Rt Hon Norman Fowler, MP, Secretary of State for Employment and Mrs Vasso Papandreou, European Commissioner for Social Affairs. The challeoges for management of attracting an adequate supply of qualified people in the next decade will be reviewed by John Banham, Director-General of the Confederation of British Industry; Trany Raban, Chairman of the Forum Européen de l'Orientation Académique; Professor Dr Matti Otala, Senior Vice President of the Nokia Corporation and Ivan Yates, Deputy Chief Excentive (Engineering) of British Aerospace. plc. Professor Paul Lee Evans of INSEAD will speak on the challenges and opportunities of a pan-European market and how companies can make existing managers more European. The internationalisation of management will be discussed by Richard Noonan, Vice President, Industrial Relations, Ford of Europe and John De Leeuw, Managing Director of the Corporate Staff Bureau, Philips International BV.

CABLE TELEVISION AND SATELLITE BROADCASTING London, 28 February & 1 March 1990

A most distinguished panel of speakers will examine the implications of Britain's legislative moves towards deregulating broedcasting and nne year into the direct-to-hnme satellite revulution in Europe, how the business is shaping np. David Mellor, the UK Broadcasting Minister and Catherine Tasca, the French Minister responsible for broadcasting, will give keynote addresses and other speakers taking part include Michael Checkland, British Broadcasting Corporation; Anthnoy Simnuds-Gooding, British Satellite Broedcasting; Marc Tessier, Canal Plus International; Andrew Neil, Sky Television and Dr Pierre Meyrat, Société Européenne des Satellites.

COMPETITION, MERGERS, ACQUISITIONS AND ALLIANCES IN EUROPE London, 13 & 14 March 1990

Competition policy et Community and member state levels will be the focus of the agenda at this important Financial Times conference. Speakers will assess the impact of the Brussels agreements expected on December 21 and will look at developments in the countries where there is the most interest in mergers, acquisitions and alliances. The problems of structuring deals across several jurisdictions will also be a Gordon Borrie, Director General of Fair Trading; John Redwood, Parliamentary Under Secretary of State for Corporate Affairs; Stanley Chintna Davis, Farmer Member of the Commission; Antony Beevor, Executive Director of Hambros Bank and former Director General of the Takeover Panel; Lawrence Maisel, Partner at Salans, Hertzfeld, Heilbronn & van Riel; Avv Giovanni De Berti, Partner of Studio Legale de Berti Jacchie and Martin Waldenström, President of Booz Allen Acquisition Services.

All enquiries should be addressed to: Financial Times Conference Organisation 126 Jermyn Strees, London SW1Y 4UJ Tel: 01-925 2323 (24-hour answering service) Telex: 27347 FT CONF G Fax: 01-925 2125

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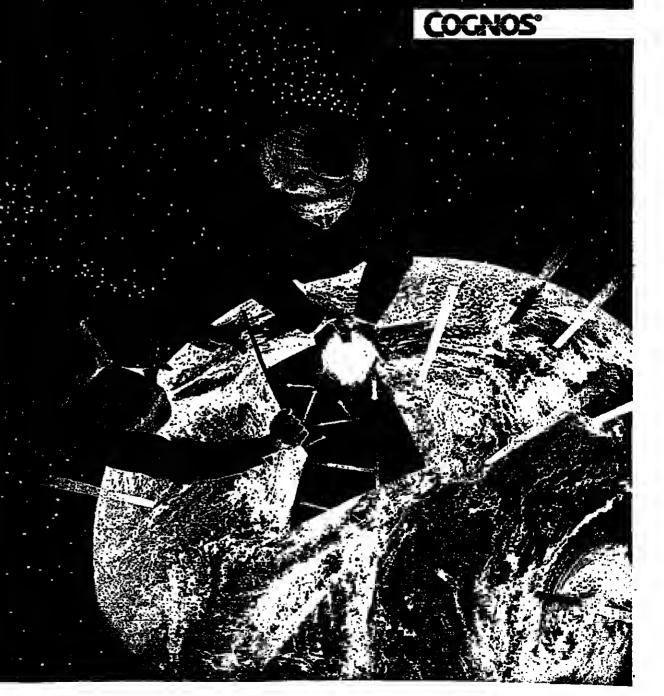
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## MANAGEMENT

## SmithKline Beecham

## Stretching the limits to make a merger work

Peter Marsh explains how a 'round the clock' effort has gone into drawing up a reorganisation plan for the pharmaceuticals and consumer products group

en Kermes has crossed the Atlantic 84 times over the past 18 months. Partly as a consequence, about 1,000

managers at his company hava not been getting much rest lately. Kermes is the corporate develop-ment director of SmithKline Bee-cham, the pharmaceuticals and consumer products company formed in July after a merger between Smith-Kline Beckman of the US and Britain's Beecham.

The new company, with headquar-ters in London but with many of its most important functions based in the most important functions based in the US, has annual sales running at about Alon and is one of the world's top three drugs groups, on the basis of products sold both by prescription and through retail outlets. Kermes, formerly chief financial officer of SmithKline Beckman, has

been involved in planning the merger since June 1988 when the two compa-nies first started talking.

After the deal was consummated, Kermes assumed a key part in the process of putting together the two businesses. The goals have been ambitious. "We did not just want to inte-grate: we wanted to build a brand new company," says Bob Bauman, chief executive of SB and the main

driving force behind the merger. Bauman, 58, is the smiling and relaxed American who took over as chairman three years ago and who is responsible for day-to-day management of the new group. Henry Wendt, former Smithkline chairman, is exec-utive chairman in the new structure and has largely an ambassadorial and co-ordinating role.

What Bauman, who heads a sixman committee overseeing the reor-ganisation, decided to put into the operation stretched the limits both of management planning and of the physical and mental capabilities of the executives who work for him.

He set up 250 work teams compris-ing 1,000 managers from both compa-nies. They have worked around the clock for periods of a few weeks to several months to examine in depth virtually every aspect of the new com-pany's operations. These take in not just pharmacenticals but animalhealth products, a range of consumer goods from Lacozade to tolletries and a clinical laboratory service which is almost entirely US-based. The teams have looked at all the

business areas in both geographical

ment, production and administration. The complexity of the task is under-lined by the numbers of people involved. The full SB empire (not including a cosmetics division which the company plans to sell) employs about 55,000 staff around the world who work in over 100 sites.

Some of these teams have already reported and the rest will do so within the next formed a pile of paper probably

over 10 feet high. Planning has proceeded according

Planning has proceeded according to a methodology established jointly by a team of SB managers led by Kermes called the Merger Integration Committee or MIT which was aided by McKinsey, the consultants. Kermes, a burly 54-year-old who has known Bauman for 25 years since they both worked together at General Foods, the US food company. has been in constant touch with the exercise via the MIT unit, which has attempted during the process to steer the individual teams and keep them in touch with each other.

in touch with each other. Kermes stresses that SB wanted to break new ground in putting together companies after a merger. "We have really looked closely at what was best for the organisation. The last thing we wanted to do was simply to take an organigram of existing jobs and start to fill in boxes on a chart."

Start to ful in boutes on a chart. The planning, says Bauman, is designed to give him and the other top executives a base from which to start designing the shape of the new group so that it fits in with what he considers the priorities for the future. For example, he wants to build into SB's structure as far as he can such things as a good maximalized start of the future. things as a good responsiveness to customer's needs, minimum bureaucracy and a high degree of innovation in product development.

Just as important, says Bauman, was the idea of involving the 1,000 top

and product terms, and at specific areas such as research and develop-ment, production and administration. managers in the company in helping to work on the way the company was going to evolve. Bauman does not going to evolve. Bauman does not evade the issues here. He admits that many of the managers in the exercise will not have the same jobs - if a job at all - after the process is implemented Because of the overlap between the

different parts of SB, some jobs will be phased out and others will be downgraded. Some of the managers will find they are designing away their own responsibilities.

"The whole process was about dis-turbing people and a lot of people don't like to be disturbed," says Bau-man. "But we said to them either join the teams or don't. At least this way we gave them a chance to participate. We gave them an opportunity to have some ownership over what the future would hold. I have to say the process has worked and most of the people have responded very well." The level of commitment has been

so great that many of the 1,000 men and women involved have worked evenings and weekends and put in 80-hour weeks as they have jetted round the world to take part in the planning meetings. Despite his easypianning meetings. Despite his easy-going appearance, Bauman sets tough standards for his workforce; he points out that the business has had to keep going while the planning was taking place. "We have asked a lot of our managers," he says. Some key decisions have already been taken. For instance, Bauman has shaken up the two former SmithKline

shaken up the two former Smithkline and Beecham pharmaceuticals sales-forces in the US, keeping the numbers of people the same at 1,900 but reor-ganising them into four groups related to different product and mar-keting strategies. Something similar is honoming with the drugs color is happening with the drugs sales teams in the UK and Canada and with the worldwide consumer products and animal health businesse

The company took action just before Christmas to cut out overlap-

. . .. ......

Smith	(Ine Beecham div	isions
	£bn*	Employees
Prescription drugs	2.12	27,000
Consumer brands**	1.20	14,000
Animal health	0.30	3,000
Animal lab. services	0.45	11,000
TOTAL	4.07	55,000
	"Estimates for 1989.	"Including over the counter medici



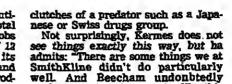
Bob Bauman: "We did not just want to integrate - we wanted to build a brand new company

ping activities in its UK pharmaceuti-cals operations. It is to reduce its total workforce in this area by 344 jobs over the next two years, a cut of 12 per cent. It has also just sold its worldwide adhesives operations and its North American household products business.

Bauman does not pretend that all the recommendations will be easy to put into effect and he says that some will take time. As an example, some of the 100 or so plants which SE cur-rently operates are likely to close as a result of the reorganisation. It will take time to sort out the shutdowns and to deal with the question of redundancies. A certain proportion of the workforce are likely to lose their

He is committed to keeping the company's 5,000 pharmaceuticals R&D workers and the 6,000 drugs salespeople but he says some loss of jobs is inevitable in areas like administration

and production. For Kermes, the exercise is a chance for former Smithkline people in the organisation to look back and ry to learn from their mistakes. The management of SmithKline has been widely criticised in the past five years mainly for its lack of supervision of R&D in medicines and for the way it let slip the lead it had in anti-ulcer products with its one-time superdrug lagamet. The merger as a whole has been viewed in some quarters as a way of rescuing SmithKline from the



SmithEline didn't do particularly well. And Beecham undonbtedly made errors too. An exercise like this lets us look back and redefine what we want to be."

A telling aspect of the complete reorganisation is that the key manag-ers involved are American. It is diffi-cult to think of many companies run solely by UK managers that would put into train anything so complex and embitious as the SE operation. Generally speaking British managers have the reputation of taking a more laisser faire, less systems-oriented approach to planning and organisa-tion; indeed, the whole exercise smacks of the complicated systems planning which is a feature of the US aerospace industry, and for which Bauman once worked for six years at two US aerospace manufacturers, Tex-

tron and Avco. Bauman smiles when this is men-tioned and says he had not thought of the analogy. Kermes, however, says the comparison can only be carried so far. We are demonstrating a similar systems approach. But we are talking about soft issues as opposed to air-craft components. We are managing people rather than technology and that's something we have had to remember all the time."

NI-CAL FINANCE N.V. NOTICE OF MEETING OF DEBENTUREHOLDERS

## **Tapping hidden 'excellence'**

David Goodhart on E. German potential

FINANCIAL TIMES WEDNESDAY DECEMBER 27 1989

tant and trader, has a message of qualified optimism for those trying to breathe new life into the East German economy. The message is that the econ-omy has some surprising strengths<sup>\*</sup>; the qualification is that they are mainly hidden. It is not simply that the lack of a proper pricing system means the central planners do not know which their most efficient companies are; equally significant, for Kaever, are the under-ex-ploited "centres of excellence" hidden away inside the giant Kombinate industrial groups, above all in software.

Most of Keever's business with East Germany has been in computers and electronics. Three years ago when he started doing husiness across the Berlin Wall it was still an agonisingly slow and conspiraborial process. Because the company he was

doing business with had insufficient hard currency he began bartering - exchanging com-puters for software. There was an initial "Catch 22" for an initial "Catch 22" for Kaever because without his computers, the East German company could not make the software he wanted. He took an investment risk and made a present of the first batch of present of the first batch of computers. It never became a very profitable business but the risk proved worthwhile. In Kaever's view East Ger-man software is both good and remarkably cheap - perhaps one-quarter the cost of equiva-lent western software. He says

most of it is less "aserfriendly" than western soft-ware hat in some fields of industrial software the East. Germans are "excellent".

Yet according to some west-ern estimates the East Germans currently earn only a few million D-marks a year from software exports. Most of the official software industry is centred on Robotron, the East German equivalent of Sie-mens, which is responsible for

about half of all exports. If the best specialists from the software departments inside the Kombinate could be mobilised it would give an enormous boost to the indus-try," says Kaever. He is pro-posing to help that mobilisa-

A homas Kaevar, a 39 year-old West Berlin-based business consal-Germany to bring together tion by organising a cunter-ence next February in East Germany to bring together western firms interested in buying software and the liftle-known East German *N*i

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little-gnown gast terman industrial software specialists. Kaever says the advantages for both sides could be enor-mons. With costs less than half those in the west, Rast Germany could be an ideal Germany could be an insti-place to cut back on the risk involved in brand new soft-ware projects. He says various profit-sharing deals could be worked out which would bring both hard sach and bring both hard cash and know-how to the East German electronics industry,

Parts of that industry are already relatively sophisti-cated and earlier this year the scientific-technical establish-ment celebrated the production of its first 32-byte micro-chip. However, the cost of developing that East German micro-processor industry, con-sidered a military-strategic necessity for the whole East Bloc in the light of western Cocom-list restrictions, has

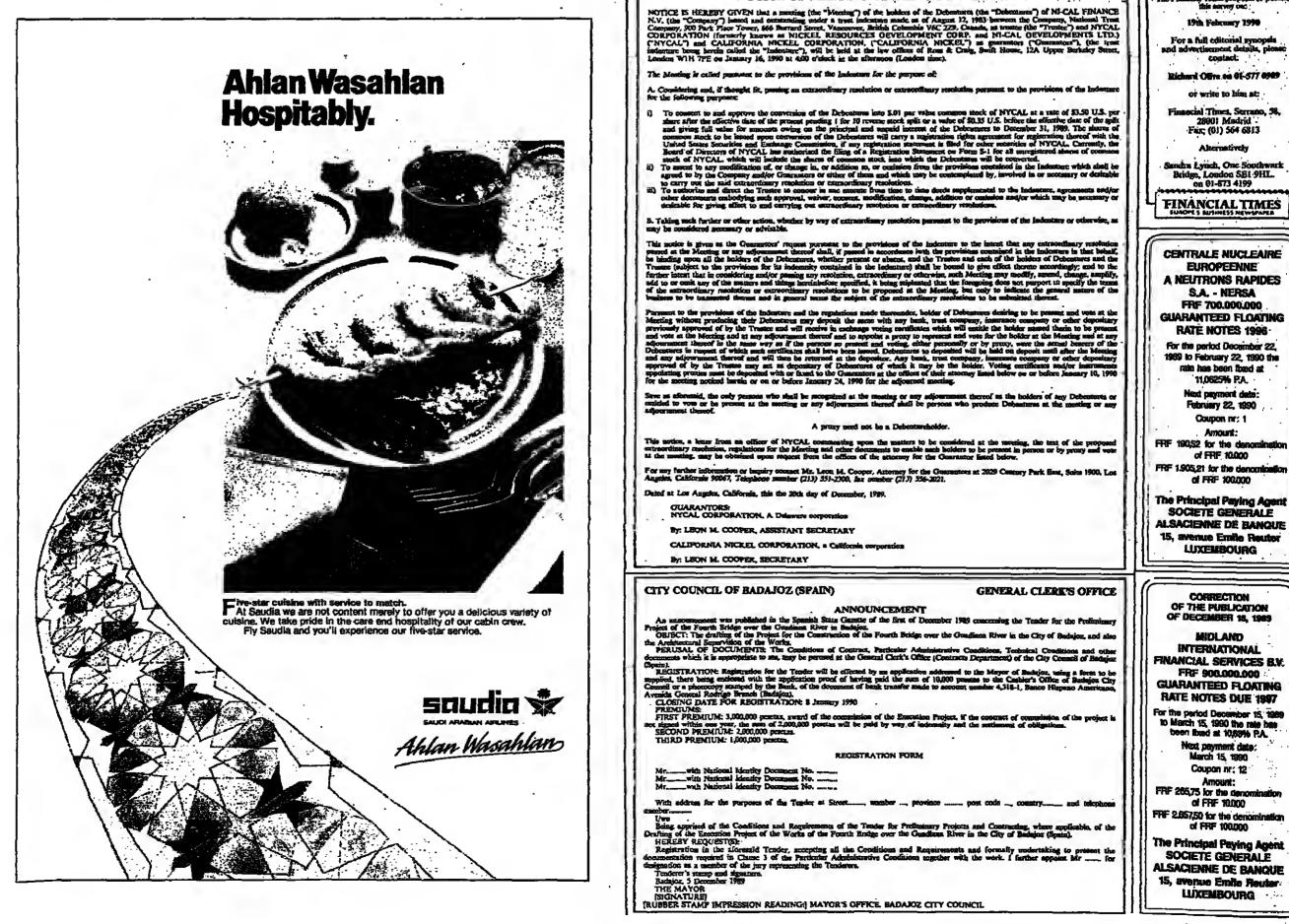
It has not only cost 14bn It has not only cost latent marks over the past decade but has left an electronics industry with very unsven lev-els of development. Also, as one West German analyst has put it. "The East Germans better pray that the west does not immediately abandon the Cocom restrictions - otherwise it will never be able to

recoup its investment." Kaever sees hidden resources not only in the soft-ware electronics field but also,

for example, in design. He says that the Bauhaus design tradi-tion has lived on in East Ger-many and that East Berlin has some excellent designers whose talents are generally wasted on mass-production goods. "The East Germans must learn to use valuabla trade-marks like Bauhaus which still have positive associations in the west," he says. And what interest does Kaever have in pursuing busi-ness with what remains an

eros with what remains an enormously complex and try-ing trading partner? Financial opportunity is only part of the answer. "I do it because I'm German," he says. \*See this page December 21. Thomas Kaever, AMS, Meine-kestrasse 7, West Berlin.

SPAIN nciel Theme proposes to publish The Pin 19th February 1990 For a full editorial syn



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FINANCIAL SERVICES B.V. FRF 900.000.000

GUARANTEED FLOATING

RATE NOTES DUE 1997

For the period December 15, 1989 to March 15, 1990 the rate has been fixed at 10,53% P.A.

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FRF 265,75 for the denomination of FHF 10000

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Tim Albery's As You Like It at

the Old Vic, struck at the heart of Shen Te's moral ambiguity

by playing her passion and her anger, unacknowledged aspects of the character's personality,

write that incorporated an

opium racket into the tobacco

and Bill Paterson's philosophi-

cal water-seller. The play was restored for the 1990s.

sprang to contemporary life as a dramatic account, and a

political metaphor, of rape. The Cottesloe was unforgettably

(and his designer Nick Ormerod) was intensified no

end, as no doubt was Warner's,

### ARTS

## Our theatre and actors remain the envy of the world

During 1989 the theatre drew inspiration from Madam Butterfly and Cardboard City, death camps and drink. Michael Coveney reports

In the year that Laurence Olivier died, was buried in a Sussex field and commemorated in Westminster Abbey on the anniversary of Irving's burial in Poets' Corner, encavations on the very doorstep of the Financial Times uncovered the old Globe and Rose theatres.

The end of an era is always a sure sign of continuity in the theatre, but it was only the agitation of the acting profession that ensured that the discoveries of the Rose, the most important in Shakespearian finding of Johannes de Witt's drawing of the Swan 100 years ago, were fully recognized. In any other European country but ours, the news would have been met with public and political rejoicing and instant Government intervention.

And Olivier was only granted the Abbey honour with, it seemed, grudging reluctance and after a testy letter to The Times from John Osborne. Our theatre and our actors in particular remain the anvy of the world, but yon would never know it from the way they are treated at home. The Royal Court, which is the only theatre in Britain commited to the new writing policy that has revolutionised the British entertainment industry, and a stage where Olivier transformed his own career as Archie Rice in Osborne's The Enterininer, was this year compelled to close its Theatre Upstairs, where the newest

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writers are presented. It is indicative of the Arts Council's priorities that the Court has slipped from being the third best funded theatre in Britain to being the sixteenth. Instead, we fund new touring companies with an idea about doing Macbeth in exotic Ballnese style while chopping Foco Novo, for instance, the first company in Britain to operate a multi-racial new writing and a mini-ratio is writing and now been disastronsly enmeshed in private sponsor-ship; the work it should be doing is not the sort of thing sponsors want to hear. Its Ian Dury musical, Apples, first fruit of a commercial liaison, gave critics the pip and emp-ticd the theatre. Sponsors want *Homlet* at the National Theatre, and there

was no more depressing sight all year than a crowd of penguin-suited champagne swillers from Ladbroke barging late and noisily into the first night of Richard Eyre's revival in the Olivier. Daniel Day-Lewis never caught fire as the moody Dane, and the production was pictorially elegant but spiritu-ally dead. Reports later in the year suggested an improve-

by the confidence of being in France (he owns a house model village. The architect as doing too much, and the time O'Toole topped even that by sex; he had lost 112 pounds in there) in The Baker's Wife, a artist and destroyer is a has surely come to strip down giving his performance of a six days. hard-hearted Hedda in the Oli-

already given a wonderful mime Linda Kerr as the narra-study in sexually explorative tor's dummy. schizophrenia as Rosalind in Hytner also directed the

year's best musical, Miss Saigon, at Drury Lene, a belt-ing rewrite of Madam Batter-Ing te-wine of *Anadali Souter-*fly set in the last days of the American occupation, com-posed by the *Les Misérables* pair, Claude-Michel Schönberg through the clenched half mask of her wicked cousin Shui Ta. Warner went back to Brecht's own American reand Alain Boublil. Jonathan and Alain Boubhi. Jonathan Pryce was sensational as a Saigon pimp whose American dream of the dollar democracy locates the inture in musicals, and Lea Salonga as the child-like geisha projected charm and innocence through a Godshop's dealings; the play was enhanced and enriched beyond measure. This superlativa evening belonged also to Pete Postlethwaite's suicidal pllot given voice. There was an awful hot of serious singing in Saigon, as indeed there was in Andrew Lloyd Wehber's Aspects of Love which was The NT year had begun well with Declan Donneilan's Fuente Ovejuna, which also handicapped by the awfulness and size of the Prince of Wales indicapp Theatre, David Garnett's novalla was cunningly adapted, and the score was freshly inventive and touch-ingly experimental. Roger transformed into the sem-blance of a Spanish corral in the Golden Age, and the Cheek By Jowl method of Donnellan Moore dropped out, but Kevin Colson was a more than ade-quate substitute and Michael Ball survived a heavy schedule of publicity to deliver a fine performance. Director Trevor Nunn redoubled his pleasure

was a definitive Emilia, Imogen Stubbs a heart-breaking Desdemons, a sexual cherub with Rapunzel hair.

The Royal Shake-speare Company was otherwise thrown into confusion by the sudden announcement that sudden announcement that Terry Hands would leave in 1991, aged 50. The succession has not been arranged, applica-tions closed on September 28 and the new artistic director, or pair of them, should be known early in the New Year. Hytner has withdrawn from the fray, hnt Adrian Noble threw his hat decisively in the ting with a blictoring revival at threw his hat decisively in the ring with a blistering revival at the Barbican (from which he has pledged to withdraw the company if put in charge) of *The Master Builder*, John Wood playing Solness as of right, Joenna Pearce a wonder-fully seductive and simister right, Joenne Pearce a wonder-fully seductive and sinister troll awakening the servally creative spirit. The ubiquitous Richard Hudson designed a brilliant set, part attic, part mausoleum, that aspired with Solness to the peaks before crashing to earth and revealing the fruits of his labours. the fruits of his labours: a dreadful pygmy, neo-classical

which Hands directed in the artistic decline as it celebrates Swan. Although I questioned the tendentions analogy of Cardboard City (making a pre-Good Person 1989 debut) with

the Nazi death camps, this was undoubtedly the strongest new play of the year, and Sher's fantastic performance as the displaced Polish Jew Peter Singer, a survivor from Ausch-witz, was another in his stupendous series of protean alien revenge figures.

revenge figures. The Swan also gave us prob-ably Ben Jonson's best play, the iong overdue Epicoene, hui it did not receive a production on a par with other RSC Jon-son of late. Also in the main house, All's Well was all had. Coriolanus decant but dull, and other messy Swan productions of Pericles. Dr Foustus and Romeo and Juliet (by Hands) revealed signs of debilitating ordinariness in the company at large. Bill Alexander nipped in at the last minute to serve up a at the last minute to serve up a tremendous Duchess of Malfi in the Swan, Harriet Walter fluttering bravely st the hands of two nasty hrothers nastily played by Bruce Alexander and Russell Dixon. But, overall, the RSC has to re-think its 1980s expansiveness; they are simply

die-brow classic evenings with artistic decline as it celebrates 30 years in business, while the Bush is at least doing second plays (by Catherine Hayes and Billy Roche) that hold promise of feeding an industry without transforming it. Shared Experi-ence's acclaimed Heartbreak House 1 found self-consciously brittle: on the other hand brittle; on the other hand, Théatre de Complicité delighted with an office fantasy, Anything for a Quiet Life, in their Almeida retrospective, and Sian Thomas and Rosalind Knight were among the gifted classical performers throwing in their lot with Julia Bardsley and Phelim McDermott in a memorable, visionary appropriation of Edward Gorey in The Vinegar Works, also at the Almeida. This latter vehue is set for more great things in the New Year under Ian McDiar-mid and Jonathan Kent, among them Glenda Jackson in vintage Howard Barker, Claire Bloom in late Ibsen, and McDiarmid himself as Volpone, Hytner directing.

Ian McDiarmid gave the per-formance of a lifetime in Iris Murdoch's The Black Prince, an evening of brutal comedy and savage delight. Nastiness was all the rage, as Peter

the ad hoc Alan Bates and Felicity Kendal company at the Strand; I reckon both *loanov*, Bates relating the Chekhov groucher to his Simon Gray days, and *Much Ado*, delight-fully designed by Mark Thomp-son, were underrated. Elijah Moshinsky directed them, and went on to do Ronald Har-wood's autobiographical play of political and domestic escape through art, Another Time, in which Albert Finney thundered effectively across two generations and Janet Suz-man and Sara Kestelman were brilliant in support. Dustin Hoffman was a spitting, almost comically Hassidic Shylock in Peter Hall's clear and gripping Merchont of

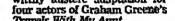
Venice; not a great evening, but Joan Collins looked a treat in the stalls, and Geraldine James irradiated a complementary inner beauty on stage as Por-tia. My favourite visitor, though, was Jackie Mason, who hit London just at the eggs and salmonella scare time and re-wrote his incomparably sizzling script accordingly. He said England was the only country in the world where food was more dangerous than

one of the many resilient old men bullied but uncowed by state censorship over the past two decade

Meanwhile, our international horizons were once again expanded thanks to the indis-pensable London International Festival of Theatre, LIFT. Ana-toli Vasiliev's Six Characters of Pirandello was one of ths greatest productions I have ever seen, and the Katona Josef of Budapest, probably the bottest troupe in Europe right now, and the Geneva Miss Julie directed by Matthias Langhoff, were welcome and necessary visitors.

otbing is more deadly at the moment than the critical backlash against directors' theatre. Plays are written to be par-formed in a theatre, and that entails a creative process of analysis and anatomical research that can, and often should, run counter to more literary expectation. There is no one view of a play, any more than there is one way of doing it. Vasiliev's Pirandello, for instance, was a creative deconstruction of the sort demanded by such a playwright; to do the play mercly as written, as indeed the National did o few years ago, is to duck the interpretative responsibility of the-

atrical intervention. Talking of which, the high-light of the Edinburgh Festival was Yuri Lyubimov's remark-able Boris Godunov; the downside of Lyuhimov was seen at the Leicester Haymarket where his unforgettable Taganka Hamlet of the early 1970s was lamely re-cast with ironic English actors. The sweeping curtain had lost its political significance. Elsewhere in the regions, I sense that the Arts Council support of non-experi-mental work is taking its toll on the programming. The year was dull, with only fitful signs of life at Manchester and Sheffield and Bristol. Alan Ayckbourn delivered a splendid tirade at the Evening Standard Awards' lunch about the need for subsidy; his entire commer-cial career is based on the security and conditions of his Scarborough bolt bole, where he unravelled one of the great lost plays of the European rep-ertoire, Henry Becque's Wolf of the Door. It was like Volpone meets Three Sisters in The Voy-sey Inheritance. The Citizens in sgow remained interestin highlights were Philip Prowse's bicentennial Tale of Two Cities, done with the mag-isterial style and simplicity of a Giorgio Strehler Goldoni production, and Giles Havergal's wittily austere adaptation for







Great performances: Maria Aitken in 'The Vortex;' Fiona Shaw in 'The Good Person of Sichnan;' and John Wood with Joanne Pearce in 'The Master Builder'

there) in *The Baker's Wije*, a tinny Provencal musical which proved that half a loaf is some-

the RS

artist and destroyer is a has surely come to strip down renewed figure of the age. the entire operation and start More than one commentator all over again. Alas, I fear the

drunkard and Spectator colum-Bernard J

I visited Prague in March and can hardly dare to hope that the summersed theory of

ment when I vier. Howard Davies's OVE

But the National, overall, had a good year, even if there are no signs of anything like a permanent ensemble within the bleak fortress. Denys Lasdun's stained concrete monstrosity - Indicrously defended by the President of RIBA in the great architecture debate - received its comeuppance in the triumphant Deborah Warner version of Brecht's Good Person of Sichuan, Sue Blane designed the interior concrete onto the. stage and Brecht's homeless vagabonds became the inhabitants of Waterloo's Cardboard City, the all too visible under-class in Thatcher's Britain. This released all the old ironic potency of a play about pov-erty served before a well-fed andience in warm surroundings. Not since Peter Brook's Les Iks has there been such a proposition on the London stage. Fiona Shaw, who had

FT hand delivered in Belgium

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2000, 2008, 2018, 2020, 2030, 2040, 2050, 2060, 2070, 2080, 2100, 2110, 2120, 2130, 2180, 2200, 2230, 2232, 2600, 2610, 2710.

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tion notably designed by Bob Crowley around a large wrought iron stairway. The current shift away from natu ralism, even in Ibsen, was indi-cated by the attention lavished on the evanescent in the play, its sub-text of child murder and courageous suicide. These ripples spread rapidly across the play's linguistic surface.

Even more memorable use of the Olivier was made by Crow-ley, this time with director Nicholas Hytner, in Joshua Sobol's Ghetto, a grin but inspirational account of the last days in the Vilna ghetto, where 10,000 lives are saved by sacrificing 1,000. Maria Friedman yearningly sang the ghetto songs and Alex Jen-nings was a sardonically aloof SS officer for whom culture was something to fill up the spare time. Contact was made with the rich seam of physical theatre on the fringe by casting the astonishing acrobatic

not better than not though Alun Armstrong was ingratiatingly entertaining in bad planning: the production was allocated barely three the lead.

dozen performances. Nuon returned to old haunts The reason for this is that the RSC does not seem to know in Stratford-open-Aven, where he directed his Glyndebourne where its best work is going to happen. Nothing is settled or predictable. Maybe this is a Porgy, Willard White, and Ian McKellen in Othello as the last good thing. John Caird, for instance, responded instantly to the goodbye Hands wave by production in The Other Place. This great production set about the most domestic of tragedies with a fine tooth comh and setting the Stratford main called upon the American Civil War as a visual way of defining stage alight not once, but twice, in the season. His reviv als of A Midsummer Night's hierarchical structure McKellen's dangeronsly imploded lago, with a thick Dream and As You Like It were sheer pleasnrs-spreading Bolton accent and Hitler mous-tache, was out of control and extravaganzas, both underpin-ned with stern views on fanoff the leash in the "Deep South" of Cyprus, where the barrack room scene leading to the downfall of Cassio (Sean Baker) was the most brilliantly tasy and escape. David Trough-ton's Bottom was beyond recent compare, while Sophie Thompson's Rosalind was the most spectacolarly brave and ebullient lead performance on directed episode of the year. White was a big booby, deeply sympathetic and genuinely this stage since Antony Sher's Richard III. Sher himself reamazed that people could behave badly. Zoë Wanamaker joined the RSC to play the lead in Peter Flannery's Singer.

SOAGLOOLS MIT ther the courage nor the will to insist upon this.

There is a dearth of new plays which worries some crit-ics more than it worries me. It is not just a question of eco-nomics and tronbles at the Court. The action has simply gone elsewhere, and for this reason I value my visit this year to the National Review of Live Art in Glasgow, where the latest in student projects was on view. A new team called the Damned Lovely are worth watching out for. On the fringe, the most interesting work is not at the Bush or the Hampstead Theatre any more, but on the art house circuit with imaginative auteurs like Gary Stevens and Steve Shill. The former's Animal and the latter's Ode to St Cecilia (with students from the Leicester Polytechnic) were two of the most imaginative, haunting shows of the year. Hampstead is in serious Bernard Is Unwell was bril-liantly stitched together by Keith Waterhouse from Bernard's own writing, and John Gunter's woozily tilting Sobo pub interior was a wittily justi-fied variation on the rather mannered architectural school of neo-Expressionistic design that everyone is now digging. Both McDiarmid and O'Toole blasted Anthony Hopkins to oblivion, rather disappointing and un-demonic, I thought, in that overrated piece of sub-

shafter kitsch, M Butterfly. Overall, though, complaints that the West End was arid were unjustified. I counted it one of the best years in recent memory. Philip Prowse's pro-duction of The Vortez, a brilliant reclamation of Coward's early sex, drugs and incest shocker, starring Maria Aitken and Rupert Everett in top form, was a remarkable import from the Glasgow Citizens. Then there were decent mid-

the past 20 years might now be released in a great creative flood. Has there ever been such a nolitical unheavai led from the heart of a nation's theatre The new Civic Forum opposition party has its headquarters in the Magic Lantern Theatre, where the Czech avant garde theatre was born in the 1950s. Václav Havel has not had a play of his performed in Prague for 20 years and has spent nearly seven of the last 12 years in prison. In March, feel-ings ran high bnt were not fuelled hy much optimism. Suddenly everything seems possible. Havel might even become the nation's President. Sharing a platform with him at one meeting reported on the

news was the dramatury of the Theatre on a String in Brno,

who whispered a translation in

my ear of one of my year's highlights, a staging of Bohn-mil Hrabal's I Served the

English King, a great novel by

' The ever-extraordinary Helen Mirren and reliably solid Bob Peck teamed beautifully in an Arthur Miller double-bill Two-Way Mirror, at the Young Vic, Eric Porter was a titanic and lyrical Lear in Jonathan Miller's darkling Old Vic production, Thelma Holt's interna tional season at the National brought us Ninagawa once more and the sensuous Tanen Argentina. Harwant Bains was a promising writer on the epic scale in Blood, Paul Bhattacharjee outstanding in the lead, at the Theatre Upstairs. Which is where we came in.

And where I take my leave of the FT arts page for a weekly billet on The Observer. I shall miss the page, my colleagues and our readers more than I can say but depart safe in the knowledge that this great newspaper will sustain here its honourable tradition of answering to God while keeping Mammon happy elsewhere.

### ARTS GUIDE

### THEATRE

#### London

LC ALD

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Page failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undernanding fare (734 Site (7 Site of the second state of the second

Jeffrey Bernard Is Unwell (Apollo). Brilliant performance by Peter O'Toole as an alcoholic journelist who embodies a Fal-staffian, nay-saying life force while committing public suicide by yodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing, Ned Sherrin directs (437 2663).

## The Good Person of Sicht

(Olivier). Megnificent National-Thesize revival by wunderkind Deborah Warner of Brecht's Denoral Warner of Dealth's great parahie of moral ambiguity about a Chinese prostitute who can only do good by adopting a victous disguise. If poverty is not combated by political systems, what can an individu-al's compassion do? Witty new translation by Michael Holman Fiona Shaw leads a fine cast in a play new-minted for the 1990s. Dec 28-Jan 3, Jan 11-18, Jan 29-Feb 3 (328 2252). Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky,

about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a rea-son for not going back. Janet

are electrifying in support (867 1118). M. Butterfly (Shaftesbury). Peter Egan has taken over from Anthony Hopkins as the tortured diplomatic hero in a Peter Shaf-fer style "spectacle of ideas" dressed up in John Derter's musch meduciton as a materia superb production as a metaphor of homosexual life. The transves-

an and Sara Kestehnan

or homoservial hie. The transves-tite tragedy proves less electrify-ing than in New York; the play is not very good but still worth seeing (379 5399). Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operatin derived from David Gar-nelt's 1955 porcella Minischer pretta iso boot in David Car interesting and well diracted by Trevor Nunn, a cast of unknowns project the right sense of sybartic insouciance. A proba-bla, but unspectacular, hit (839 5972).

#### New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winwenty wasserschi s awate whe ming drama covering 20 years in the life of a successful Ameri-can baby boomer goes from sup-port for Rugene McCarthy's pres-ulential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200). Gypsy (St James). This 30th anni-

versary production does more than revive a rich, vivid music sical: it also introduces a new belter in the Merman tradition, Type Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself. (245 0102). Grand Hotel (Martin Beck). Tommy Tuna, Broadway's pres-

ent musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscross ing in an elegant, but somewhat random setting (246 0102). Sweeney Todd (Circle in the Square). An intimate production of the Sundhaim-Wheeler musical les musical a the Sondheim-Whe in contrast with the elaborate original a decade ago emphasizes the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200). Lend Me a Tenor (Royale). A sprucing up in the set of a decay-ing town's big time opera ambi-tions makes a transatiantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Vic-tur Garber (238 6200), Rumours (Broadhurst), Nell Rumours (Broadhurst), Neu Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit. A Chorns Line (Shubert). The a canons Line (Saubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than

emotions (239 6200). Les Misèrables (Broadway). The inagnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6201). emotions (239 6200). (239 6200). Me and My Girl (Marquis). Even

if the plot turns on ironic min-icry of Pygmalion, this is no clas-sic, with forgettable songs and dated leadenness in a stage full

#### Aladdin December 22-28

of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neilf). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (346 0220). Phantom of the Opera (Majestic). Staffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunt-ing melodies in this mega-trans-fer from London (239 6200). and obvious meditation on the

#### Washington

Annie 2 (Opera House). The American theatre is not immune to sequel-lits, which plagues the other arts, and here ordains a return trip to the orphanage for Docothy London surrounded by 18 sets, 33 actors and one dog. Ends Jan 20 (487 4600).

#### Chicago

Driving Miss Daisy (Briar Street). The touching relation-ship between a dowagar, played in this production by Dorothy London, and her black chanfieur exposes the changes in the South over the past several decades (848 4000). Steel Magnollas (Royal George).

Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a husy hairdressing establishment (988 9000). A Christmas Carol (Goodman). A Caristinas carol (coordina). For the 12th year, the Goodman company does its holiday thing, with William J. Norris as Scrooge for the 11th year, but a new director, Stave Scott, and new adaptation by Tom Creamer promise to refresh the familiar. Ends Dec 30 (443 3800). the innuendo that his mum is

### DOMINION THEATRE

A new chorus has entered pantomime folklore. Along with "it's hehind yon," and "Oh, no you won't," and wanna go wee-wee" we can add "Bru-no," chanted with soccer yob brutalism. It signals the arrival on stage of a big, black man, in satin shorts and a silver halter: Onr Frank, Britain's favourite loser, directing his genius this Christmas to the magic lamp, working all the necessary miracles in Aladdin.

Access in Aladom. Hs constantly shuffles his feet warily, as if anticipating a mean ad lib from Michael Bar-rymore's Wishee Washee, and confines his acting to facial twitches. But his good humour and buttural officiant with an and natural affinity with an audience make him a strong addition to a lavish West End panto which, for the first time in years, is actually quite enjoyable. Barrymore, who is rarely off

stage, must assume much of the praise. Even when doing nothing he still conveys excite-ment. He enters at high speed on a Suzuki bike and quickly, in his John Cleese persona, orders two front row fathers to leave the auditorium. His pace is relentless, and a limitless ragbag of nonsense songs keep the kids hysterical as they switch from shrieking to pogoing around the aisles. He only slips up in the tots from the audience sequence, reducing a five year old boy to tears with

10 C

a street-walker. Since the programme notes that the "entire production is under the personal supervision of Norman Murray and Anne Chudleigh," they must share the approval. There are virtually no references to television, either programmes or commer-cials; there is no smutty winking at the parents - the few blue notes are raced through; there is no concentration on

Superfluous glitz. There is plenty of plot, even if it is basically rushed through by the interval, and the supporting players have been strongly cast. The Great Soprendo's solo magic spot is on the sophisticated side for Idds but then Dooby Duck had them in stitches while adults stayed stoney faced. The Roly Polys provide a nice twist as the Chinese Policemen, while Alyson McInnes is quite the spunkiest Aladdin to emerge in years. Since Relen Jayne as the Princess has an equally powarful voice their throaty dnets were quite a feature.

#### Antony Thorncroft

Samnel Beckett, the playwright, died on December 22. An obituary appears on Page 12.

Sir Lennox Berkeley, the composer, died yesterday. An appreciation will appear in tomorrow's Financial Times.

## FINANCIAL TIMES NUMBER ONE SOUTHWARK BRIDGE, LONDON SEI 9HL

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Wednesday December 27 1989

## **Ceausescu's** violent end

OF ALL the revolutions which have taken place in Eastern Europe over the past few months, the Romanian has most closely followed the clas-sical pattern of violence, bloodshed and summary retribution. Until the week before Christ-mas, when the Romanian security forces fired on demonstra-tors in the provincial city of Timisoara, the main characteristic of the anti-communist revolt in Eastern Europe had been its peaceful nature. The world marvelled as it

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watched the overthrow of the communist regimes of first Poland and then, in turn, Hungary, East Germany, Czecho-elovakia and Bulgaria under the sheer weight of public opinion, without the firing of more than a few shots. No donbt, all these remarkable developments were made possible by the increasing certainty that the Soviet Union, under President Mikhail Gorbachev, would not intervene militarily as it had in earlier years when East Germans, Hungarians and Czechoslovaks rose up in pro-test against repressive communist regimes. Why should the Romanian revolution, which took place in the same context. of Soviet abstinence, have

taken such a different course? There is, it is true, a tradi-tion of violent political upheav-als in the Balkans. But that can certainly not be the entire explanation for the explosion in Romania. Rather is it to be found in the exceptionally oppressive regime of the late President Nicolae Ceausescu, harsh, brutal and corrupt even in comparison with other former communist regimes in Eastern Europe, When the lid came off a system which caused so much human misery, meterial deprivation, inequality and fear, the backlash was bound to be particu-larly virulent.

#### Suppression

The realisation that, in such circumstances, a relatively peaceful transition to a more popular form of government would prove impossible, explains the violent attempts by President Ceausescu and his most faithful henchmen, the Securitate secret police, to suppress the revolution. The ruling family and its closest supporters did not have the option of retiring gracefully into private life, as some other East European leaders seem to have had. They knew they had no alternative but to fight for their lives.

#### Execution

rule of law. The reasons for the summary methods employed to condemn and execute the hated dictator and his wife can be understood in the condi-tions prevailing in Romania during the last few days. With the outcome of the revolution still hanging on a knife edge and the Securitate showing unexpected resilience in countering the popular uprising, it must have appeared essential to the leaders of the revolution rapidly to rid the country of the leader who, alone, could prolong the conflict.

Yet if Romania is ever to take its place as a respected member of the free world, it must be seen to apply the democratic principles in the name of which its people have car-ried ont their revolution. Any further violent retribution would make a mockery of

The new government headed by President Ion liescu, named yesterday, has the difficult task of providing stable government in e still nervous and tense atmosphere. Its strength, if it can be described as such,

the success of the revolution of chaos.

tion is:

The execution of the President and his equally detested wife Elena, after being found guilty by a military tribunal of a series of crimes ranging from genocide to embezzlement and the destruction of the national economy, must be seen in this context. But secret trials by military tribunals for political and civil crimes, however dastardly, cannot be condoned by those living under democratic regimes and attached to the

these claims.

resides in the fact that it includes representatives of the two elements which ensured the people and the military. It deserves international support. But Romania is in an even more fragile state after its revolution than any of the other Eastern European countries; it will need all the help it can get to pull it back from the brink

## At once, the crowd, delighted, began to chant the anthem of this revolution - of which an approximate transla-"Ole, ole, ole, ole, Ceauses-cu's gone away." And then, over and over: "Death to Ceausescu! Death

n the Romanian border

town of Giurgiu last Sat-

urday morning, a peasant family was wheeling the steaming carcass of e pig, just

slaughtered, down the track towards the main road. As it came up to the crowd of people milling about near the border

post, the father of the family held up the head, dripping with blood, and yelled: "Ceau-sescu! Ceausescu!"

to Ceausescu!

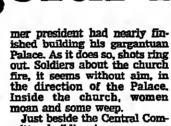
This uprising has not been - as others in eastern Europe have - a peaceful affair. How could it he? The Ceansescu regime was not merely oppresregime was not metally oppres-sive, it was barbarous. Those who are making the revolution do not merely want a new gov-ernment, freedom, a better life. They want the blood: more,

they want to see blood. They want the pig's head held high. Early yesterday morning, Romanian Television, the artery of the revolution, showed a brief film from Timi-more, Where the train of soara (where the train of events began on December 17 with the demonstration in sup-port of Fr Laszlo Tokes, the dissident Hungarian priest). The film showed a torture chamber of the Securitate, the security police. A charred corpse lay on a table in a con-crete room, electric wires bindcrete room, electric wires bind-ing the wrists. All about were handfuls of human hair. It made you gag in the throat. It was the last panicky horror of hrutes, seeking to terrify back into submission a tide which has now all but engulfed them. We cannot yet know how many they have taken with them. There has been heavy

them. There has been heavy fighting in Timisoara, off and on, all over the weekend and still on Christmas Day, as the Securitate who had rolled into town last week to quell the citizenry found themselves fight-ing for their lives. There has been fighting also in Sibru, where Nicu Ceausescu, the dis-solute son of the dictator, had held court as First Secretary. His private army fought on even after he had been dragged before the television cameras last week, his face puffy with beatings. And in Bucharest, fighting continnes, sporadi-cally, still.

Military opinion discounts the figures of deaths in the tens of thousands, and offers a total of a few thousand in the country. In Bucharest, this opinion talks of perhaps 1,000. In one sense, no matter: many people have died, and

blood will have blood. This was a desire assuaged somewhat yesterday afternoon around 1.30pm, when the television service, besieged by angry demands that the execution of the Ceausescus announced in the early hours of the morning he made manifest, finally showed the videotape of the



of Shakespeare, the manu-scripts of Rabelais and the

Those making the revolution want not merely a new government or a better life. They want blood

the water pumped in after- day there were many stories

## but it was no time for close

Contraction of the second

analysis. Two concerns predominate. First, e lingering fearfulness, the continuing belief that the Securitate can in some way regroup and fight back - a tribute to their domination of political and civil life, electric manacles attached to every crevice. And also, constant pleas on the part of Romanians to see their country as one which is waking from a nightmare to normalcy.

mare to normalcy. "A week ago I could not have spoken to you," says Viad Leonu, a flight engineer with Tarom, the state airlings, shouting over a fusillade. "You cannot imagine how we have been reduced," says Mircea Stan, a foreign trade official. Both of these women men

Stan, a foreign trace official. Both of these young men were rather privileged. They could travel, had learned good. English, knew what life was like outside. Yet there is not a shred of loyalty to the old sys-tem in them. Simply an shred of loyalty to the old sys-tem in them. Simply an assumption that once fear had been released, they could bury it and try to live better. Because the Ceausescus cre-ated a state ruled so wholly by fear, there appears to be little volition to look for culprits within a nomenklatura -everyone was, in a certain way, equal under the terror. Yet even in this most closed of the closed societies (Albania

of the closed societies (Albania of the closed societies (Albana apart) enough filtered in to subvert. Broadcasting from abroad, Radio Free Europe, Voice of America and the BBC World Service were able to cir-culate news of dissidence and, last week, to beam in the news of Timisoara which went around Bucharest like a flash.

around Bucharest like a flash. Once the upstig had hap-pened, domestic radio and tele-vision took over, pumping out a constant awkward diet of unimaginably low technical quality which has done more than the most gracefully crafted documentary to inform and inspire. In this, even more than in Czechoslovakia last month (where broadcasting played a central role) televi-sion has sustained the belief that revolution was possible and could succeed; hence the heavy guard outside the studio and the air of siege within. The shattered rooms of the Central Committee huilding yesterday, their omnipresent ornament the collected works of Nikolai Ceausescu, offered a mique tableau of the Fall of

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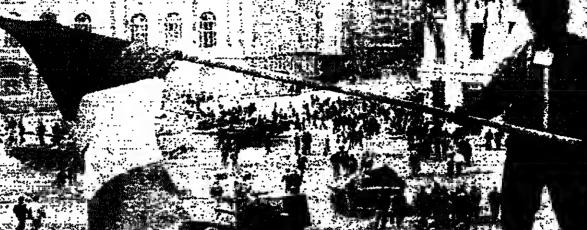
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mique tableau of the Fail of Tyranny. In the end, nothing saved the terrible family: not their wealth, not their Party, not even their psychopathic guards who scuttled like rats before a people finally risen. It offered, too, a reminder of how uncertaint are likered sen.

how precatious are liberal sentiments. Outside was a crowd baying to be shown the last pictures of the Ceausescus. I heard not one word from the foreign press corps of disap-proval at this (nor did I utter any). Nor was there any con-demnation of the many who came up to reporters to insist that the Causescus, should be slowly hanged, or tortured to death or imprisoned in a public

cage. This revolution of a



John Lloyd reports from Bucharest

Romania's raw, vengeful revolution this library has been doubly deprived in recent years. It has

building up outside, demand-ing to be shown the death film, complaining that the army was acting high handedly, and -when the composition of the government filtered ont objecting fiercely that it was led by Mr Ion Ilescu, e Commu-nist, albeit a dissident one.

The continued use of French as a second language makes communication relatively easy here. Taken together with the angry populism of the crowds; the insistent pressure of the little street committees which control Metro stations, intersections, public buildings and even restaurants, subjecting people to constant, sometimes tediously pernickety searches; and the militant ardour of the who began the protest, this gives the city the air of Paris in 1789, losing little of its raw-

The worst horrors, now, are off the streets. In the Emergency Hospital, Dr Adriana Georgescu, a hollow-eyed sur-geon sleepless for four days and nights, speaks of operations performed without anaesthetic because stocks have been exhausted. In the crantined wards, young men lie groening on beds or on camp beds placed between them. On Christmas morning in had no cash with which to buy books; and it has been forbidden to obtain certain books

basement. Securitate control over this, as everything else, was total. Now at least that mittee building is - was - a main university library, a will be lifted, though much has been destroyed in the lifting. The street battles now seem handsome late 19th century unlikely to return to the level of Friday, Saturday and Sunstructure with two fine domes, both now reduced to a skele-ton. Next door was the Securiday. It is not clear how far the tate building of the presiden-tial guard. When the fighting started last Thursday night, some of them moved to the Securitate made a serious attempt to counter-attack once the army had joined the people in the night of last Thursday/ Friday; how far they merely put up what they must have known would be suicidal last library to fire on the crowds and the army. The library was shelled and machine gunned to a blazing ruin. Its director, Ion stands. Stoika cries as he talks amid the wreckage of the first folios Exaggeration will be wild,

here, as the young men who were the first wave of the struggle talk up their trimany Romanian rare editions and papers which were either burned or reduced to pulp by unplis. As they conducted the press about the shattered Cen-tral Committee building yester-

floor office. The fact remains, however, that the first attack to gain the inside of the building were young people and students, and that the Securitate mainly and to lock others away in the fled before them. Only when the army came over to the side of the people did the real gunfire start.

Even now, as the first structures of government are put into place and the first springs of democratic parties appear, everything is conducted fear-fully. At the television studios on Monday night, entrance in pitch blackness takes 40 minutes, as nervy soldiers pass visitors from post to post. Inside, machine guns guard the main studio, Studio 4, from which the principal broadcasts are made

Just outside the studio, in the squalid corridor lit by a crazily tilted arc lamp, a sus pected agent is pushed viciously against the wall, three Kalashnikovs in his back. Later, there is nearly a fight between the group of sol-diers guarding the station management and those guard-ing the studio over when and if to run the cassettes of the Ceausescus' trial and deaths, Visiting the Foreign Ministry on Victory Square yesterday

## Long-termism in the City

When it comes to assessing everyone else's husiness, the City of London is frequently ed of taking e short-term view. Not so when it comes to the conduct of its own affairs. Since the Crash of October 1987, the return on capital in the domestic securities business has been dismal. Many houses in the international markets heve suffered an equally severe profits squeeze. Yet there is no lack of enthusiastic new entrants willing to bring fresh capital to the mar-ket and to ebsorb discarded dealers and unsuccessful firms. In short, long-termism is rife at the operational end of the securities husiness, despite the existence of several new threats to the profitability of the market.

The most pressing of those threats relates to the forthcoming European directive on inve tment services. The latest unpublished draft on capital adequacy for non-bank securities firms to emerge from Brus-sels bears the stamp of judi-cious lobbying by the West German banking fraternity, which favours high minimum levels of capital in preference to a risk-based approach. As well as making entry to the business expensive, and thus more difficult for innovative smaller firms, this form of regulation could greatly increa the capital requirements of existing London-based securities houses.

#### Overkill

The German banks argue for more capital mainly on grounds of prudence; others in rope claim that this is a cas of prudential overkill at the cost of an inefficient use of capital. Whatever the respec-tive merits of these arguments there is little doubt that the attractions both of London and the European Community as a home for US and Japanese securities firms would be severely diminished if the relative cost of doing business in Europe were dramatically increase

That is one reason for believing that it is unlikely to happen. The London securities fraternity is no longer a passive observer of events in Brussels. it would thus be surprising if the Commission's paper did not go through another

attempt at compromise before being submitted to Sir Leon Brittan, the commissioner responsible, in due course. But there are other, less amenable clouds on the borizon, the most important of which emanates from the Japanese Ministry of Finance.

#### Backwash

Japanese equity warrant-re-lated business has provided the ■ A sad tale came to an end in London just before Christ-mas. After 21 years of operamost dynamic area of growth in the Loudon Eurobond martion, the Trade Policy Research Centre is finally to close. The ket. Yet the Japanese authori-ties are now keen to repatriate decision was taken by an the business, which was origi-nally driven away from Tokyo by restrictive regulation. The backwash here will not be con-fined to those intimetely Extraordinary General Meeting of the Centre's members last Thursday. The timing is ironic. One of the few research institutes involved in this seemingly esoto take the global trading systeric corner of the City. tem as its brief is to cease its operations just as the Uruguay Already large Japanese securi tiee houses are considering Round enters its final, fraught where to redeploy their efforts. Nomura International's recent versial, but how could an instimove into the European retail tute whose subject was trade and protectionism do a good investment management mar-ket may well be a small but ob and be anything el telling signal. The diversion of more of Japan's huge pool of cheap capital into a wider spread of markets would be There can be few with an inter-est in the international trading system who would deny the influence it has exerted, one more unwelcome turn of the screw for the more hard through its meetings, its pressed in London. World Economy.

That is not to say that the picture is wholly bleak. One of the ironies of the present situa-tion is that some firms on London and Wall Street with interests in Japan are rumoured to be making more out of their

tiny market share in Tokyo than they are making out of much larger market share on their home territory. Corporate finance activity continues to generate fat fees, although the quality of those earnings is admittedly poor. And profitable niches still exist for peo-ple who have eschewed the once fashionable notion of the financial supermarket.

But that cannot disguise the fact that the profitability of the but chronic underfunding was core securities business is businessmen do not appear to understand the role they inadequate. In a world of computerised dealing and increasing liberalisation it is likely to need to play in policy formation. They are unwilling to remain so. Even the role of support policy-oriented established stock exchanges is coming under competitive threat. With no cushion of research, especially when it may prove controversial, and presume that governmentretail profits to fall back on, sponsored research will ade-quately serve the public good. many domestic and foreign securities houses will continue to look to a distant horizon for

a respectable return on capital.

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top conple, slumped together in death against a wall in e the Metropolitan (Orthodox) church a Christmas service is military barracks. conducted. The Metropolitan, Teoctist Botoseneanu, venera-ble and e little shaky, leads the Bucharest is quieter now, but it is nervy, jumpy and not very joyful. As the new govern-ment was forming itself inside the Central Committee huildresponses as the choir sings. As he invokes the memory of those who have died, a great ing on Palace Square this bell begins to toll over the morning, the crowds were square below, where the for-

scarcely exists.

compete for attention. In

face - and turned away.

across is A D Brownsword,

Brownsword Collection Lim-

greetings card publishers, Gor-

According to the company's

don Fraser Holdings Limited.

sword'e personal emoluments

way above anything received even by the likes of Lord Han-

son. The company's turnover

also note a charitable donation

was £11.6m and the accounts

during the year of £5,000.

GM on screen

in the US last week after

Roger and Me was released

receiving great acclaim at the New York Film Festival in Sep-

tember. The Roger in question

is Roger Smith, the chairman

and chief executive of General

Motors. And the film has heaped fame and fortune on

Michael Moore, its writer and

director. Moore is being called

a latter-day Mark Twain and Warner Brothers has paid him

millions of dollars for the dis-

tribution rights.

ast year were £3,616,013 -

chairman of The Andrew

ited, the company which recently acquired another

audited accounts, Brown-

The Centre

goes under

The Centre has been contro-

search and its journal - The

Some efforts were made to bring new funds into the Cen-

tra once its difficulties became

obvious, but these were ren-dered difficult by the failure

replace Sir Kenneth Durham, the former head of Unilever.

Yet that failure was itself

that not one senior business

cause his own. Moreover, by

the time the problems were public, they had been mount-

There were managerial fail-ings at the Centre, to be sure,

behind even them. The truth

is that British and European

This is particularly unlikely

in the case of trade, however,

ing for years.

ymptomatic. It is remarkable

figure has seen fit to make this

to find a new chairman to

wards His assistants are now root-

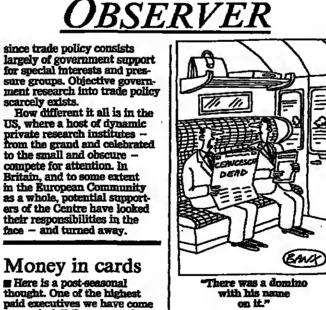
ing about in the ruins, seeking to save what they can. One, Dana Nicolescu, says she has taken home with her e hopelessly damaged Shakespeare folio, for safe keeping and to see what may be salvaged. Though rich in treasures,

about pursuit of secret agents through the underground tunnels. One story, told several times and verified by the commander of the building. Col Radulescu, was of a student with an empty gun arresting the Interior Minister (and thus head of security forces) Todor Postelnicu in a small seventh

diplomats pace about the lobhy, a fire fight erupts around the entrance and I spend five minutes under a tank before being pushed into the entrance by a soldier who looses off a hurst of fire towards a construction site as I run. On reflection, I did not see or hear any incoming shots,

afternoon, where neatly suited

degraded people called forth and inspired a response which was itself inevitably degraded. If that response can be exorcised by the Ceausescus' death. as they are exhibited like the pig's head in Giurgiu before a delighted nation, then the country has a chance to rise once more.



with his name on it." The climactic scene is a kind of Christmas Carol of the car

workers. Smith delivers his traditional Chairman's mes sage to his employees worldwide over General Motor's satellite television system. "It is a good time, the only time during the year when people open their hearts freely," he says quoting Dickens

You see the Christmas Eve eviction of an unemployed car workers' family. The sheriff's men heap children, tree, tinsel and all on a sidewalk in Flint, Michigan. That was the town to which General Motors gave prosperity for 70 years, then withdrew it as the company fired tens of thousands of workers, buildozed plants and moved its production to

Mexico. Moore grew up in Flint, but had no intention of following his father's example of 32 years on the assembly line. Instead he edited counter-culture newspapers, one of them partially funded by Stewart Mott, the good works heir of a GM founding family.

To make the film, he stalked Roger Smith for years from

yacht club to luxury hotel to GM's gloomy headquarters. All he wanted was for Smith to visit Flint to see the devastation he had wrought. The result is a satire being mar-keted as a comedy. "One of the most entertaining movies of the year," say the Warner ads. But it still hurts. Odd that there has been nothing like it in Britain.

#### Dilemmas It struck me as slightly

strange that of the two great dramas to unfold over the holiday period one was in a coun-try that was the model for Ruritania and the other was in a place that might have been referred to as a banana republic. No great moral in thet, except perhaps that we should never underestimate the capac ity of small states to surprise. Yet in their way both Romania and Panama raised moral questions as old as time. Should you ever execute a tyrant, however heinous, with-out trial? And should the Church be allowed to provide senctuary to a wanted man like General Noriega? Does anyone really know the answers?

#### Variables

Useful facts: the National Audit Office, which has been examining test processing in the Civil service, has discovered that the output per typist in the pool with the greatest output rate of those examined was no less than seven times that of the least productive pool. The NAO also found that the pool with the highest unit mosts was six times as expensive as the cheapest pool. There must be some explanation.

#### Almost there

A seasonal greeting seen in a New York restaurant window - Pizza on Earth.

# OF OUR TIME

GREAT UNPRONOUNCEABLES

(Pop-o- catter-pettal. Aztec. Popoca, to smoke, tepetl, a mountain) is easily the most unpronounceable volcano. It rises in the form of a cone to a height of 17,720 feet above the sea-level and is composed chiefly of porphyritic obsidian. Although no eruption has been recorded since 1540, it still smokes. This hot, volatile, Mexican geological peculiarity has no connection whatsoever with the smooth, subtle and infinitely dependable qualities of Bunnahabhain (Bu-na-ha-venn) 12 year old single malt Scotch whisky.

Bunnahabhain is distilled on the Isle of Islay and the pleasures of drinking it are directly proportional to the difficulties of pronunciation.

UNSPEAKABLY GOOD MALT Available at Oddbins, Harrods and Selfridges and selected branches of Victoria Wine, Peter Dominic, Umpins and Augustus Barnett.

Bunnahabhain\_

or businesses worldwide, the 1980s were marked by two overriding themes. First, iconoclasm. Ideas, rules and values which had gov-erned corporate life almost unquestioned, in some cases since immedi-ately after the Second World War, were relegated to the mausoleum.

Sectors such as shipbuilding and steel, once numbered among the "commanding heights" of industria-lised economies, were dispatched to the sickbay. An international stam-pede developed to harness the promise of the fast-growing new technology industries, notably microelectronics, while manufactur-ing methods were rethought world-wide in the light of intensified Japa-nese competition.

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e text

A new class of heroes was cre-ated, as the audacious entrepreneur shunted aside the salaried corporate executive to become business role model for the decade. Above all, the market - and in the Anglo-Saron world, the financial market reigned supreme, elevating and dis-posing of favourites with despotic ruth!

The second dominant trait was accelerated internationalisation. Spurred on by fiercer competition from abroad, the limitations of their home markets, the search for scale economies and advances in commueconomies and advances in commu-nications technology, companies throughout the industrialised world boldly extended their reach. "Glo-balisation" became the manage-ment credo of the decade, earning fortunes for consultants - if not for many husinessmen who tried to implement it.

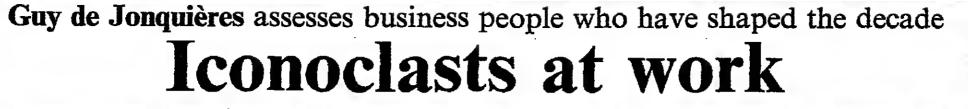
Historians may argue over how far this vortex of creative destruc-tion was due to the actions of individuals and how far to forces which outstripped anyone's control. Yet, in business as in politics, the turbulent 1950s threw up cartain individ-uals who stamped their personal mark firmly on events. The routine assignment of judi-

cial briefs handed Harold Greene, a hitherto little-known judge at the Washington DC district court, responsibility for reshaping an entire US industry. In enforcing the 1982 consent

decree which ended the Justice Department's anti-trust case against AT&T. Judge Greene supervised one of the largest corporate break-ups in US history, involving the dis-tribution of \$150bn of assets. Since then, he has exercised unequalled

power over the basic direction of US telecommunications policy. Similarly, little in the earlier career of Lord Cockfield - a 68-year-old tax expert, retired manag-ing director of Boots and unmemorable former UK Trade Minister marked him out as a man of the hour when he became European Internal Market Commissioner in early 1985.

Though Lord Cockfield did not invent the single market plan, he made it credible. By basing its new rules firmly on liberalisation and competition, rather than on



BUSINESS **RES** who have shaped the 1980-1989 Harold Greene Lord Cockfield Carlo De Benedetti Percy Barnevik Michael Milken Akio Morita Koji Kobayashi Tadashi Kume Don Estridge Sir John Harvey-Jones Rupert Murdoch 

long-winded harmonisation, and by keeping unrelenting pressure on EC governments to approve them, he persuaded Europe to view the removal of its internal barriers not just as an ideal, but as an exhilarating inevitability. No one seized these new opportu-nities more flamhoyantly than Carlo De Benedetti, the Italian financier/industrialist who first

assets and use them more effi-ciently, he reasoned, both their

owners and national economies

would benefit handsomely.

ing of European industry seems to have lost momentum. His enduring contribution, however, is to have proved that large contested take-over bids can be mounted across continental European borders. Bold international mergers and attracted international attention when he instituted the recovery of computer-maker Olivetti in the late Surge's internal barriers had led over many years to a substantial accumulation of under-exploited and under-valued assets behind national frontiers. If new management could gain control of those

acquisitions were also the route by which Percy Barnevik rose in 10 years from comparative obscurity as an executive with Sandvik, a Swedish specialised toolmaker, to head the world's largest electrical engineering group. Its nucleus was ABB, formed by the merger which Barnevik master-minded between

Asea of Sweden and Brown Boveri

of Switzerland in 1988. That deal, the largest in Euro-pean history, galvanised an indus-ity weighed down by vast excess capacity and a structure which had changed little for 40 years. The result was an avalanche of world-wide rationalisation, as part of which ABB also expanded further into the US by acquiring Combus-tion Engineering and Westingh-ouse's electrical transmission equip-ment business. The most dramatic test of De Benedetti'e tactics was his 1987 bid to acquire Belgium's sprawling Société Générale holding company. After months of struggling, his prey escaped into the arms of France's Suez group; since then De Bene-detti'e drive to lead the restructur-

ment business. • Meanwhile, much US industrial restructuring drew its inspiration, not from the boardrooms of great companies, but from Beverly Hills. This unlikely - but not wholly inappropriate - source was the chosen habitat of Michael Milken, certified worksholic and sola inven-

tor of the junk bond market. His discovery that high-risk secu-rities could be sold successfully if they carried high enough yields

fuelled the wave of hostile take-overs and leveraged huy-outs which reshaped America's corporate landscape in the 1980s. Without Milken and the access to finance he provided, corporate raiders such as Carl Icahn and LBO wizards such as Henry Kravis could never have struck terror into so many American top managers. At the height of Milken's success,

At the height of Minken's success, issuing enough junk bonds to sat-isfy investor demand was his single biggest problem. Today, it is a 98-count federal indictment on charges of fraud, racketeering and tax law violations. Almost as uncertain as his own future is that of the market

he created. Not all US business coups of the decade were based on financial engineering. IBM's entry into per-sonal computers in 1981 was a textbook case of hrilliant marketing, which revolutionised the market by

legitimising the machines as husi-ness tools. Unusually in a giant cor-poration, much of the credit was due to one man, Don Estridge, mav-erick head of the independent divi-sion set up specially to handle the PC launch. Estridge, who died in an air crash in 1965, was the man who introduced bearded youths into the clean-cut buttondown world of IBM. It seems surprising that the fever-ishly inventive world of electronics produced so few truly memorahle produced so few truly memorahle figures in the 1980s. That is due in part to a decisive shift in the focus of innovation, away from funda-mental laboratory hreakthroughs by individuals and towards co-ordi-

ple technologies. Nobody mastered that shift better than the Japanese, who during the decade wrested from the US much of its industrial and technological pre-eminence. If Japan's rise was

nated teamwork in applying multi-

symbolised in the west by one man, it was Akio Morita, outspoken chairman of Sony. He became a cen-tral figure in the increasingly tense debate over US-Japanese relations, harshly criticising American atti-

11

hirsony criticising American atti-tudes in a recent book. However, the Japanese electron-ics industry's biggest achievement in the 1980s was in developing well beyond the consumer products in which Sony specialises. Koji Kobay-asht, with his vision of the coming are of "computers and communicaera of "computers and communica-tions," was among the pioneers of that trend. As chairman of NEC until 1988, he made it a world leader in microchips, supercomputers, mobile communications and facsim-ile machines, and one of the first Japanese companies to establish

large-scale chip production abroad. Tadashi Kume played at least as influential a role in Japan's motor industry. As head of research and industry. As head of research and development at Honda, he trans-formed Japanese cars' image as dowdy products which sold mainly on reliability and price hy pioneer-ing innovativa engineering and ele-gant design. As Honda's president for the past seven years, he has accelerated it: accounting in the US accelerated its expansion in the US, where it led the Japanese car industry in setting up local production.

By comparison with Japan's industrial performance, Britain's economic "miracle" looks decidedly modest and fragile. Yet the UK's industrial recovery was undeniably one of the business stories of the decade. Sir John Harvey-Jones probably contributed more than any other husinessman to its impetus. ICI, under his chairmanship, shook up traditional management

methods, refocused its businesses and pressed ahead aggressively with international expansion. Even more important, Sir John came to symbolise success to a wider audi-ence. His achievements in the first half of the 1980s served to encour-ager les autres by demonstrating that in some sectors, at least, UK industry could still aspire to worldclass standing.

No list of business prime movers would be complete without Rupert Murdoch. By smashing the power of the British print unions, he hunched the country's newspaper industry into a new era of production technology and used the hugely increased profits from his own UK titles to finance plans for a global media conglomcrate. An inveterate risk-taker, Mur-

doch likes to pose as champion of consumer choice and enemy of consumer choice and enemy of entrenched monopoly power. His critics, however, accuse him of try-ing to build internationally just the kind of unaccountable media monopoly he claims to despise. Mould-breaker or empire-builder?

The question provides an appropri-ate epitaph for the 1980s, when many old husiness icons were shat tered, but many new ones were also erected in their place. The 1990s may show whether the new prove any more durable than those that went before.

### US thrifts and banks

From Mr Richard Finchell.



## Against floating exchange rates

a e de entres da

From Mr Maurice Nadia. Sir, Professor Friedman sets ont the case for floating exchange rates (FT, December 18), hut not the case for fixed rates, under which exporters and agents dealing abroad in foreign currency make better profity This was clearly explained

by Paul Einzig 20 years ago in his hook The Case Against Floating Exchanges. Indeed, Professor Friedman says he is sceptical that a cystem of freely floating exchange rates is politically feasible. Bankers, who make huge profits out of floating exchange rates, are never in favour of

fixed exchanges. Professor Friedman says it is only practi-

cal to have our central bank if we had a truly unified European currency. Is this a threat or a promise? I would far rather have the

value of the money I use properly maintained from the Bundesbank or anywhere else, rather than badly maintained (as it is now) from the Bank of England

To Mrs Thatcher, the loss of sovereignty is all important. To the rest of us, an improve-ment in the management of our money would far outweigh any loss in prestige. Maurice Nadin

Blackhouse Thorpe, Egham, Surrey

Sir, Your leader on US thrifts (December 6) makes the point that "legislation is needed to restrict (Federal deposit) insurance to the depositor rather than the It is generally accepted, not only in the US, but elsewhere,

LETTERS

that supervisory control of assets (rather than liabilities) is the key to safe banking. The US is not alone among developed nations in offering 100 per cent insurance of deposits in each selected bank. Canada has a similar system and its banking sector has never been

in crisis. in western Europe, many countries provide a state guarantee, not only for 100 per cent of deposits, hut also without deposit limit. When the US government in

control over the economy as widely as possible by encourag-ing depositors to put their money in small as well as large banks. Despite huge losses suf-fered by both US banks and thrifts in recent times, deposits are at record-high levels. The fact that there are today 15,000 independent banks and thrifts must surely indicate that America's banking power is broadly dispersed. For these historical reasons, it is unlikely that the US Congress would make the changes yon advocate in Federal deposit insurance. Richard Finchell,

ferry operators, British Rail and other Channel Tunnel fore-

casters has been the ability to

farry operations, transport net-works in the south-east corri-

dor and (if extended) the north-south flow of traffic in the UK as a whole. This should

be welcomed and further

debated publicly particularly in the House of Commons. Charles Okeabialam,

Channel Tunnel Research Unit, University of Kent

leposit insurance, it had two

objectives: to restore public

confidence in the banking sys-

tem and to disperse banking

North American Financial Markets Ltd, 28 Welbeck St., W1 1938 enacted 100 per cent

#### Channel Tunnel economics

From Mr Charles Okeahialam.

From Mr G.R. Watt. In his article on environmen-tal issues in Scotland (Survey, December 15) Stewart Dalby made a number of statements concerning forestry which

require correction. Investors can expect, and have achieved, higher financial returns than the 1 per cent over 20 years which Mr Dalby reports as a usual commercial return. Returns in the private sector can be expected to be between 5 per cent in real terms, assuming no timber price increases in real terms. It seems inconceivable that trust-ees of pension funds (among the long-term investors men-tioned by Mr Dalby) would proceed with an investment in todey's market conditions knowing that it would only yield 1 per cent.

It is not true to say that con-fers are planted densely because of high winds. Wind is

on accounting for goodwill (FT, December 7) are incompatible

with the conventional method

of acquisition accounting. He then misdescribes the conven-

tional method as "the purchase

of a subsidiary is treated just

like the purchase of any other

asset; that is, the price of the acquisition is matched against

the financial benefits gener-

· :\_ · .

not, but not on how many trees to plant per hectare. Dense plantations of confers can restrict flora and fauna. The trees are not the determining factor, but the density of

the stocki ng. On better quality land at lower elevations conifers can be thinned regularly. providing better conditions for the development of a varied flora and fauna

The lesson to be drawn from the Flow Country debate is that forestry and conservation interests can work together. At a time when many natural for-ests are fast disappearing, there is a strong case for re-es-tablishing the woodlands that once existed in Scotland.

In fact, virtually no company

accounts in this way and there is no convention that requires

it. The cost of acquiring shares

in a subsidiary is normally car-ried at cost until there is per-

manent impairment of the car-

rying value. As goodwill is

inextricably bound up with the

value of a company or business we believe that accounting for

goodwill should be consistent

Mr Walker also infers that

with this approach.

G R Watt. John Clegg & Co, 2 Rutland Square, inburgh

Goodwill and conventional accounting

From Messrs Graham Stacy and David Tweedia. Sir, Martin Walker (Letters, December 18) says our views is no convention that rea-ber and by the acquisition." In fact, virtually no con-accounts in this way and is no convention that rea-

Sir, A.J. Dawesey (Letters, December 13) is right to criti-cise British Rail's suggestion that there would be a delay in casters has been the ability to analyse the effect of moda choice and switching (road/ rail) by passengers and height. A high speed rail link was not deemed necessary in the Channel Tunnel Act because the introduction of safety mea-sures at Kings Cross if Parliament were to postpone consid-eration of the Channel Tunnel the trend in historic demand terminal bill. terminal bill. However he also says that "Parliament was misled about the need for a link when the Channel Tunnel Act was agreed — MPs should engage in no further debate about BR's proposals until the pack-age as a whole has heen announced." and forecasting methods did not suggest this. It is now clear that the build-ing of the bigh speed rail link will improve the efficacy and increase the utility derived of the Channel Tunnel Itself,

Early decisions on the eco-nomics of the Channel Tunnel took into account forecasts primarily based on aggregated data. Since 1987 most forecasts

David Tweedie,

wark Tower

32 London Bridge Street, SE1

have been derived from disag-gregated data. One major benegregated data. One major pene-fit of the use of this data for Eurotunnel, cross-Channal

### Dial again

argue that there should not be at a time. Shop staff and travel agents sometimes try to write down dictated telephone numbers with "z" (looking like a "2") rather than "0." R.D. Rainbow, 31-33 Abington Square, Northermoton

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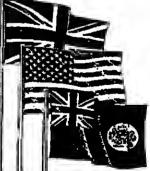
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Camille Jojo · Barry Driver 4010 Jardine House 1 Connaught Place Central, Hong Kong Telephone 010 852 5 242003

From Mr R.D. Rainbow. we make the assumption that Sir, Surely the use of the word "zero" instead of "nought" on the telephone and radio causes confusion. Most of us tend to think only either numerically or alphabetically

the stream of benefits support-ing goodwill will be perma-nent. We do not. We merely

argue that there should not be an automatic assumption that they disappear "systemati-cally" over a predetermined period and that if they are maintained the goodwill does not need to be written off. Graham Stacy, David Tomadie

Forestry in Scotland certainly an important influ-ence on silviculture, affecting decisions on whether to thin or 12



## **FINANCIAL TIMES**



## Japanese central bank lifts discount rate

#### By Stefan Wagstyl in Tokyo

JAPANESE businessmen and investors yesterday reacted with relief to the Bank of Japan's decision on Monday to raise the official discount rate by 0.5 percentage points to 4.25 per cent, which ended uncertainty about the key monetary policy instrument.

The central bank's plans to change the rate had been publicised in advance by a row between the bank, which wanted an increase, and the Ministry of Finance, which did

The argument created con-siderable turmoil in the Tokyo narkets, as Mr Yasushi Mieno, the central bank governor, and Mr Ryutaro Hashimoto, Finance Minister, made con-flicting public statements.

Monday's announcement of the third rise this year brought relief to the markets.

The Tokyo stock market rose 383.25 on Monday and a further 257.69 yesterday to a record 38,681.31 The yen firmed against the

dollar. Corrency and stock market tradera said there was little possibility of another interest rate rise before the general election, which is expected to be held in late February.

The central bank, howeve intends to maintain a tight grip on liquidity to stem infla-tionary pressures created by tionary pressures created by the country's strong economic expansion. Increases in price indices do

not look excessive. According

to figures published yesterday by the Government's Manage-"If we act after price levels have gone up, we would have to raise the rate by a nuch wider margin and that would have a grave impact on the economy," he said. The financial establishement ment and Co-ordination Agency, consumer prices fell last month by 0.1 per cent from October. However, in Tokyo, connowever, in lokyo, con-sumer prices this month have risen by about 0.1 per cent. The agency said that with a rise in oil prices, a decline in the yen, and the introduction rallied round Mr Mieno, includ-

ing the Finance Minister, who hid whatever private doubts he may have had and said the increase was "timely and appropriate." of a 3 per cent value added tax in April, "the conditions that supported low price rises in the past few years have faded." The central bank's concern Business leaders said the decision would bave little direct impact on investment

is that increases in some parts of the economy - including land prices and wage rates - could feed into other areas. plans. Mr Mieno said there was

sidiary of Nomura Securities, said the effect on land prices would also be minimal given that demand was strong and strong upward pressure on

that supply was limited. After eight years without an increase, the official discount rate has risen in three steps this year from 2.5 per cent to

4.25 per cent. The rate no longer has the same impact on markets as it did before because financial liberalisation has created large new, short-term markets with free rates.

The rate for three-month cer-tificates of deposit is hovering at just under 7 per cent – well above the official rate. But the official rate remains important as a powerful indica-tor of central bank policy.

Nomura Real Estate, a sub-Japanese surplus falls "are key to market stability,"

## Refining the price of commodities

After the inflationary trauma of the 1970s, the long economic upsurge of the 1980s has been **Commodity prices** US Commodity of Research Bureau index of lutures ofices

partiy due to the restraining effect of low commodity prices. The 1990s may not be able to repeat the trick. The price of oil, easily the most important 340 .... reference point, is again nudg-ing \$20 a barrel: though OPEC's machinations are hard 900 to predict, few are expecting a return to the mid-1980s lows. And two issues which seem set 260 to dominate the 1990s - the environment and the transfor-220 mation of the Comecon bloc - seem set to push up other 

180 85 89 According to IDD Information Services, the \$13.6bn of US initial public offerings this year is 40 per cent lower than in 1988.

40 per cent lower than in 1988. If the various specialist trust offerings are omitted, the sale of a fifth of Reader's Digest is the second biggest new issue after Lyondell Petrochemical. Like Walt Disney, which floated off a substantial chunk of Ruro Disneylond certier this of Euro Disneyland earlier this year, The Reader's Digest is a household American name instantly recognisable the world over. Whether the international flotation will be a runaway success like Euro Disney-land is quite another matter.

and net income of \$151m, it is not much different in size from other famous US media properties like the New York Thues, Dow Jones, Washington Post and McGraw Hill. And at \$20 a share, the shares would be sell-ing on a yield of 2.4 per cent. and a historic multiple of 15.6, which is not much out of line with the sector. The company is issuing non-voting stock, but this should not deter sine many US media companies have funny voting structures

to prevent control changes. The big worry for potential investors in The Reader's Digest is whether the great times for the world's most widely read magazine have passed or are yet to come. After all, it is only five years since the editor-in-chief was

gins have quadrupled and though revenues are only up by 40 per cent, net income has jumped more than seven times. But there are signs that most But there are signs that most of the benefits of this neces-sary house-cleaning have been squeezed out. Last year operat-ing profits fell by 3 per cent on a 7 per cent rise in revenues: the trend has continued in the current financial year. Mean-while, the diversification into special interest magazines is proving difficult and operating losses have risen from \$1m in losses have risen from \$1m in 1966 to \$17.2m last year.

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TAYLOR WOODROW

TEAMWORK IN PROPERTY WORLDWIDE

The Reader's Digest's strengths should not be under-estimated. Apart from its pre-eminent position in the US, it is one of the leading magazine and book publishers in Europe and one of the world's leading and one of the world's leading direct mail marketers. Its customer base of over 50m US bouseholds, along with its name, must be its most powerful asset.

Nevertheless, its success still depends on the continued health of a magazine whose circulation has stopped grow-ing, and nearly a third of whose subscribers need to be replaced each year. The demise of once-powerful US magazines the Life, Look and the Satur-day Evening Post, plus the expensive problems news-weeklies like Time and Newsweek face in maintaining cir-culation, are reminders that the rewards in running great US magazines can be transi-tory. Meanwhile, the voting restrictions mean that preda-tors like Mr Rupert Murdoch or Mr Robert Maxwell are never going to be able to take over the digesters.

Markets

Here is a modest suggestion for fund managers in 1990. For the first six months, run the fund on a passive basis. Then dump all the stocks and sectors which have performed tors which have performed best and pile into the worst. This year, the FT-SE's 10 best stocks in the first half went on to underperform the market in the second half by an average of 11 per cent. The 10 worst outperformed by 8 per cent. Getting the switch right would have been worth 4 Christmas bonus on its own.

## Gorbachev averts party split with mission to Lithuania

#### By Quentin Peel in Moscow

MR Mikhail Gorbachev, tha Soviet leader, yesterday post-poned a potentially disastrous split in his ruling Communist Party by agreeing to lead a top-level mission to the Baltic republic of Lithuania to head off its threatened secession.

The amergency move, involving a whole team of the top Soviet leadership, came the day after he condemned the Lithuanian Communist Party for attempting to break away from the Communist Party of the Soviet Union (CPSU), charging that such an act could lead to the break up of the Soviet Union itself.

It was decided after two days of extraordinary debate in a full-scale plenum of the CPSU central committee, which once again brought a welter of conservative criticism of the process of political reform, but failed to reach any conclusion about the fate of the Lithuanian Communist Party.

bachev's rigid line on party unity, bnt postponed the trauma of an outright split until he has tried to use his own personal blend of persuasion and anthoritarianism to

## moned on his return. All the indications are that

the CPSU central committee will then move to expel the vast majority of the Lithuanian Communist Party, and in par-ticular its leader, Mr Algirdas Brazauskas. That in turn may

the Lithuanian lead.

Committee on Christmas Day, and by Mr Vadim Medvedev, his ideology supremo, at a press briefing yesterday. Mr Gorbachev rejected the Lithuanian move as "illegitimate", declaring that one of the key elements in building a new Soviet Union was "the impossibility to reject the sin-gle structure of the CPSU.

Instead, the plenum gave unanimous support to Mr Gor-

to maintain the union was still flatly rejected by the leader-

The Soviet Union had denounced the use of force both in Czechoslovakia in 1968, and in its invasion of Afghan-istan in 1979, he said. "We did not do this in order

simply accelerate the process of Baltic rebellion, encouraging the Communist Parties in both to use military means to resolve problems in the Soviet Union. We stand for political solutions, and on the basis of that we are going to search for Estonia and Latvia to follow The seriousness with which ways to resolve the problems of relations between different Mr Gorbachev and his Politburo are treating the Lithua-

nationalities in the Sovlet nian breakaway was revealed in a doom-laden speech which Union. At the same time he echoed he delivered to the Central Mr Gorbachev's words that the Lithuanian Communist Party's attempt to break away was a grave blow to the whole perestroika process - not least because it gave conservative opponents a weapon with

In what sounded almost as an appeal for Western backing, Mr Gorbachev warned that any threat of disintegration of the Soviet state could have dire international consequences.

"The existence of a single, firm and powerful Soviet Union is the pressing need of

destroyed the south Lebanon beadquarters of the Commu-nist Party in the Syrian-con-

trolled village of Rmaileb, 20 miles south of Beirut, in the 16th air strike into Lebanon

Singling out the small Leb. anese Communist party was unusual Most Israeli raids into

Lebanon are against Palestin-ian or Moslem Fundamentalist

groups. But Israeli military officials

commodity prices. Metals have taken some time Metals have taken some time to recover from the effects of the two oil shocks, which forced industry both to be more efficient in their use and to turn to substitutes. But the long hull in prices has made producers reluctant to invest of finder mode dependent.

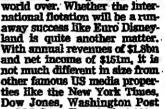
in finding new deposits. That reluctance has been intensified by environmental pressure, which both increases the cost of production and reduces the potential number of sites. On the damand side, the newly industrialising countries now interest. With Eastern European demand for consumer goods being released in the 1990s, that should be good for motel wither to

solves, that should be good for metal prices, too. Soft commodity prices are heavily dependent on the weather. Whether or not one believes in global warming, the world does seem to be in the world does seem to be in the middle of a period of climatic extremes. Such wild weather is bad news for crops and for farmers, who tend, partly because of government subsi-dies, to be slow to adjust. Taken with a growing distaste in Western countries for the in Western countries for the excessive use of fertilisers and

eacessive use of perturbers and insecticides and with little evi-dence of a new "green revolu-tion" in agricultural technol-ogy, this suggests that there is limited scope for improvement in crop yields in the 1990s. On the demand side, world popula-tion is still growing inexorably. In Eastern Europe there is substantial pent-up demand for food which the new leaders will be eager to satisfy. It all adds up to demand-pull infla-tion; those books on current cost accounting might yet come in handy.

which to attack tha party leader.

"If we cross this line, then we can be said to be deliber-ately aiming at breaking up the Soviet Union," he said. "This would be a blind alley for all the patients of the Soviet



Friday at the age of 83 and was buried yesterday in Paris. He was one of the most original writers of his time, inheriting a form of English prose thoroughly deconstructed by fellow Irishman James Joyce and refashioning It to serva his own sense of the human mind at the end of its tether. Beckett's name became

By Anthony Curtis in London

Samuel Beckett

dies in France

widely known in the English-speaking world with Peter Hall's 1985 London production of the enigmatic play Walting for Godot: the Beckett cult was born overnight.

born overnight. The play, first written in French and produced in a small Paris theatre, was the work of a man who had been writing poetry and fiction in both languages steadily since 1930. An early volume of short stores More Pricks than Kicks was published in England in 1934 and his first novel Mur-1934 and his first novel Mur-

The background of the litter-ary rebel who would effect a shattering assault on the lin-ear novel and the well made stage play was wholly conven-tional and middle class.

He was born in the Dublin suburb of Foxrock. an affluent Protestant enclave. His father William Frank Beckett was a civil engineer, his mother May a regular churchgoer and animal lover.

Beckett went to the Portora Road school in Enniskillen where he acquired his love of cricket and of cbess - both lifelong passions - and then in 1923 he became an undergraduate at Trinity College, Dublin.

His student mastery of French led him to the Ecole Normale and to a friendship in Paris with Joyce. He was never his secretary bot he helped him with manuscripts and wrote a seminal article on Joyce's work in progress. The handsome bright young

Irishman attracted Joyce's danghter Lucia and the

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WORLDWIDE WEATHER

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SAMUEL BECKETT, the Irish novelist and playwright who made France his home, died on Beckett had thoughts of becoming an academic, and he wrote an essay on Proust, later published

But his heart was not really in university work; after a period in London where he suffered a breakdown reflected in Murphy, he returned to Paris as a freelance writer and remained there for the rest of his life. He lived with and later married the pianist Suzanne Dumesuil.

Beckett remained in France during the war, working for the Resistance for which ba was awarded the Croix de Guerre. At the liberation he returned to his Paris apartment in the Rue des Favorits. where he lived until 1961 when he moved to the Boule-vard St Jacques.

The early postwar years saw the publication of his trilogy, Molicy, Malone Dies, The Unnameable, and then in the 1950s his growing international reputation as a play-wright with productions all over the world of Godot and Endgame. He was awarded the Nobel Prize in 1969.

As his reputation increased. Beckett's work became ever more stripped to the bone and impenetrable. A buge aca-demic industry grew around it. Terms like the theatre of the absurd were employed in a vain attempt to elucidate works whose whole point was their resistance to facile crititheir resistance to fache criti-cal explanation. But if critics were frustrated, actors and directors found marvellons material in Beckett. Jack McGowran, Patrick Magee, Billie Whitelaw and, in Ger-many, Klaus Herm have all enhanced their caracar

enhanced their careers through his work. Happy Days, where the hero-ine remains up to her neck in sand throughout the entire

play in a characteristic Beck-ett pose of immobility, is an imperishable classic of the modern theatre.

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ng round the rank-and-file leadership will not allow the break-up of the federal state." Lithuanian Communists. However, the Soviet leader However, Mr Medvedev, one

would appear to have days, rather than weeks, to resolve tha inner-party crisis, with another plenum to be sum-

system of international security. No one can be interested in this system's disintegration,

of Mr Gorbachev's closest that is fraught with the desta-allies in the party leadership, bilisation of the political situa-insisted that any use of force tion in Europe and the world."

this year.

## **Israel raids Lebanese bases**

for all the nations of the Soviet

#### By Hugh Carnegy in Jerusalem

ISRAELI FORCES struck deep mobile armour drove north into Lebanon yesterday in two separate raids which the milifrom the border security zone occupied by Israel and airborne tary said were aimed against troops and helicopter gunships Lebanese Communist Party bases involved in launching attacks on Israeli troops and joined the raid on the villages of Libaya and Kfar Mishki, fir-ing dozens of shells and rocktheir local allies in Southern Lebanon. ets.

other Syrian-backed groups such as Hizbollah, the Moslem fundamentalist militia, are In the biggest raid involving Israeli ground forces since commandos attacked a Palestinian base near Beirut in early active in the area. December 1988, combined ground and air units swept down on two villages in the southern Bekaa Valley in the early hours of yesterday mornsouthern Bekaa Valley in the early hours of yesterday morn-ing. Reports from Lebanon said

#### Israel said a number of "ter-rorists" ware killed or wounded and Communist said the Communist Party had been involved in recent attacks on their forces in southern Lebanon. Israeli budget; Tutu visit, Page 2.

## New Romanian government sworn in

formed in recent days. One

The Communist Party and

**Continued from Page 1** 

capital, where many central buildings are burned out or pock-marked by the thousands of builets and shells fired by the army against the security forces sniping from windows and rooftops. But the execution of the Geausescus and the near elimi-

Ceausescus and the near elimi-nation of the Securitate, do not appear to have secured the position of the new administration. The Front yesterday appealed on television for peo-ple to boycott a big protest called for later in the day. called for later in the day. "Conditions are not right for a damonstration," said the appeal, denouncing the demon-stration as provocative. However, the appeal has been shunned by the two new parties that have already been

Continued from Page 1

A matter of hours before

General Norlega turned up at the gate of the Vatican nun-ciate, Mr Endara said he would

not extradite General Norlega

to the US.

new vice president, Mr Dumitri Mazilu, said yesterday that the group, the Romanian Demo-cratic Party, which was formed government would abandon on Monday, said demonstra-tions were the only way to place their programme before the people. President Ceausescu's contro-versial plan to demolish thou-sands of villages. The former President attracted interna-The other, the National Christian Peasant Party, which also announced its formation on Tuesday and which includes the leading desident tional condemnation for his plan to rehouse peasants in modern agro-industrial com-plexes. Hungary in particular saw it as a ploy to force the assimilation of Romania's 2m includes the leading dssident Ms Doina Cornea in its ranks, called for "the moral rehabili-tation on a Christian and peas-ant foundation, which for 2,000 years proved to be the Roina-nian nation's backbone." Navertbeless, the new Administration is already advertising a political pro-

ethnic Hungarians. Switzerland's Justice Ministry said on Sunday that it had ordered a freeze on any assets the dead dictator might have held in Swiss banks,

A Geneva newspaper reported on Saturday that there were rumours that the Ceausescu family had stashed \$400m worth of gold in Zurich.

#### US bid to freeze Noriega assets **Continued from Page 1**

might be willing to grant asylum, but its embassy in Pan-ama - like that of Nicaragus - is ringed with US troops and armoured vehicles. The fate of General Noriega will be the first test of the authority and independence of the new government of Presi-dent Guillermo Endera.

explain in detail why and how the losses were transferred to the unlisted subsidiary, Sankyo Engineering, a securi-ties sales company.

Daiwa apparantly sold 375,000 shares in its unlisted building management com-pany to Sankyo and allowed errors.

the company to sell the stock at a Y11bn profit to financial institutions to cover the trading losses. Sankyo is reported to have retained the surplus profit as payment for its work. The four officials to resign were directly implicated in the case, which the company has said arose from the over-zeal-

ousness of a salesman. It is customary for Japanese executives to take pay cuts to show that they take a share of blame even if they are not

#### **Reader's Digest**

There have been so few size-able new issues on Wall Street over the last few years that the sight of The Reader's Digest Association tapping the market for upwards of \$500m is of more than passing interest.

removed after publishing a critical article of Ronald Reagan, entitled "Mr President this isn't Russia." The editorial goal to inform, educate, inspire and entertain has changed lit-tic over the years. To date, it has been a successful formula. which has stood up well to changing fashions. What has changed is the financial performance. Since

bonus on its own. The exceptional stocks were those which kept going: Reu-ters, up 28 per cent against the market in the first balf and a market in the first half and a further 20 per cent in the sec-ond; and Guinness, which was fourth best performer in the first half and went on to be top FT-SE stock of the year. Both stocks, the contrarian would suggest, have done too well to be worth keeping now. new management took over in 1964, the workforce has been cut by a fifth, operating mar-

Sumitomo Trust Interim results to 30th September 1989

	Millions of Yen 6 months ended 30th September 1989	Millions of Yen 6 months ended 30th September 1988	Millions of Yen Year ended 31st March 1989
hcome before Income Taxes	₩ 83,878	¥ 79,768	¥ 156,664
Net Income	40,143	37,764	73,584
Total Assets in Banking Accounts	18,002,176	14,075,709	16,593,915
Total Assets in Trust Accounts	30,768,916	26,406,942	27,740,572
Fotal Assets in Trust Accounts	30,768,916	26,406,942	

Interim Dividend

¥ 4.25 per share ¥ 3.75 per share ¥ 8.00 per share (Annual Tocal)

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Principal Developments for the Period

Steady and continued growth

Opening of new Representative Offices in Chicago and Paris

Listing on The London Stock Exchange

Mr Hayasaki elected President

Interim Financial Statement for the 6 months ended 30th September, 1989 will be available upon request from December 31st 1989. Please direct enquiries to the address below.

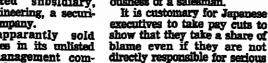
> Sumitomo Trust & Banking Co., Ltd. London Branch 62/63 Threadneedle Street, London EC2R 8BR. Telephone: 01-628 5621/9 Fax: 01-588 1601

**Daiwa suspends business** 

month and will be done through "self-restraint."

advertising a political pro-gramme for the country, which includes the holding of elec-tions in April next year. The

dence by discrimination in favour of large corporate cli-ents and had asked Daiwa to



The Finance Ministry has been concerned by the damage to smaller investors' confi-



## **FINANCIAL TIMES COMPANIES & MARKETS**

Wednesday December 27 1989



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#### In celebration of the unconventional



Whila most people were doing their last-minute Christmas shopping last Saturday, Mr Jean Gan-dois (left) was flying from Paris to a grim, wind-histad coastal wind-blasted coastel plain near Dunkerque. There he laid the first stone of a new alumin lum smelter for the French state-owned Pechiney. The move has

surprised many industry analysis, who argue that there is no scope for new European production in this sluggishly growing industry. So why do it? "I like to do things that interest me, quips the 59-year-old Mr Gandols before surrendering to another of the gales of laughter that punctuate his conversation. William Dawkins, in Paris, examines the reasons for Pechl-ney's audacious move. Page 15

#### The seeds of uncertainty

The world's seeds business is still in a sickly state. No one knows if this fledgling high-tech industry is going to flower vigorously or wither at birth. Such uncertainty was underlined recently when Royal Dutch/Shell, the oil and chemicals group, said it was considering put-ting its Nickerson international Seeds Company up for sale. This was a venture to which Shell had previously appeared to attach con-sidarable importance and tha move highlights edginess within tha industry. Peter Marsh reports. Page 16

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## Here come the years of living dangerously

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Louise Kehoe assesses problems facing the US computer industry

The US computer industry, already battered by inten-sitying overseas competi-tion and rapidly changing tech-nology, is now at the mercy of a slowing domestic economy and lower capital spending.

lower capital spending. The most optimistic analysts are projecting growth in US com-puter sales of about 8 per cent in 1990; the most pessimistic think it could be as low as 2 per cent. The effects of the slowdown on an industry which has been used to annual growth rates of 30 per cent or more is proving dracent, or more, is proving dra-matic. In the past year, the num-ber of workers in the US industry

ber of workers in the US industry has been slashed by over 40,000, with lay-offs at Wang Laborato-ries, Unisys, Control Data, Data General and Prime Computer. International Businesa Machines, the largest computer manufacturer in the world and the bellwether of the US indus-try, is not immune to the maltry, is not immune to the mal-aise. Its recently announced plans to reduce its US workforce by some 10,000 people through early retirement, and attrition is only the latest stage in a pro-found restructuring designed to hoost competitiveness.

It is proving a traumatic expe-rience. "Stress and turmoil" were the words chosen recently by Mr John Akers, IBM's chairman, to describe the state of the US computer market.

Colleagues and competitors agree. "In the 1990s there will be agree. In the Issue there will be vicious competition in the com-puter industry," predicts Mr Andrew Grove, president and chief executive of Intel Corporation, the microprocessor group. He foresees a major shakeout among computer makers in the next few years. Developments in chip technol-

ogy of the kind pioneered by established semiconductor com-panies like Intel and Motorola panies like Intel and Motorola and by start-ups like MIPS are at the heart of the industry's trou-bles. They have reduced the cost of computing power by a massive factor and left those companies tied to older technologies in a particularly vulnerable position.

No manufacturer is immune from the microprocessor revuln-tion. The chips that created the personal computer are now find-ing their way into minicompurs. mainframe-like computers and even supercomputers. Dozens, sometimes hundreds of chips are wired together to per-form computing tasks that traditionally required the power of a larger, more expensive computer. Worst hit so far have been the traditional minicomputer manufacturers whose business has been usurped by lower-priced

John Akers, IBM's chairman: market of "stress and turmoil"

sector, but even the PC market is slowing down. Apple Computer's recent projection of lower than anticipated sales over the Christ-mas holiday season signals that consumer interest in computers

are scrambling to increase sales with deep discounts and attrac-tive credit tarms. Apple Com-puter is affering shoppers a free 30 day trial of its machines, while IBM is advertising ceah refunds ranging from \$50 to \$200.

from about 22 per cent in the first quarter to 5 per cent in the cur-rent quarter. The group is proj-ecting growth of just 2 per cent in the first quarter of 1990.

The export push comes, however, at a time of incre asing trade tensions between the US and Europe, and a continuing trade battle with Japan. Many observers believe that the difficulties faced by the computer industry will exacerbate trade tensions already fuelled by complaints from the US semiconductor industry Like the chip makers, the US computer industry also faces mounting competition from Asia. Mr Grove, of Intel, warns:

THIS WEEK

What has happened in semicon ductors is about to happen with computers. The Japanese, and not far behind them, the Koreans and Taiwanese manufacturers are gearing up to produce com-puters for the US market.

There are clear signs that the Japanese computer industry is gaining ground. Five Japanese companies now rank among the top 20 in the world, up from three a year ago, according to a recent report by Arthur D Little, the ment consulting group.

hat does the immediate future hold for US com-puter manufacturers? In the 1990s, computer hardware technology will continue to improve, but with the trend toward standardisation it will become a less significant factor in determining the success and profitability of computer companies, analysts predict. Instead, computer companies will increasingly rely upon software, distri-bution and service to differenti-ate their products.

New software will be the key to integrating computers into com-pany-wide systems and creating new applications. Distribution channels for computers are expected to change radically as large computer makers are forced to find new ways to deliver low-er-margin hardware products to the customer. Service and customer support are also growing importance as busines to rely upon complex networks of computers running sophisticated applications. The question remains how well today's market leaders, companies like IBM, Digital Equipment and Hewlett-Packard will adjust and newser-rackard will adjust to these changes. There are plenty of competitors like Sun Microsystems and Compaq Com-puter of the US or Toshiba and Fujitsu of Japan ready to pick up their mantle if they faiter.

## The end of economics - and after

#### By Anthony Harris in Washington

W ashington has been a revealing vantage point from which to watch the incredible events of the last few weeks. Not that it has offered any special insights on the col-lapse of Communism; on the con-trary, we have had only the distant spectacle seen from the bleachers, and high officials have been reduced to the same passive television-watching role as ordi-nary citizens, while the CIA has admitted that it knew little of

what was impending. This has been a lesson in itself, though; a footnote to 1989 may describe it as the year which saw the end of the beltway illusion the belief that this the capital of

the beller that this the capital of the world, and that everything worth knowing can be learned at a power dinner in Bethesda. "You know, I've found myself in line waiting to talk to think tanks, or calling parish priests, to get some idea of what'a going on," an American colleague remarked in wonder. For a forremarked in wonder. For a for-eigner, outside the circle of intimate top-level briefings, it has been good for the soul to hear such things. President Bush, who has been trying, like an American Canute, to persuade his courtiers that America now long rules the tides, may also find some comfort in this new humil-

However, an economic commentator has nothing to boast abont. For us, the humiliation goes much further back. When I first joined this profession, we were the acolytes of the high priests, the expert who undershood how to run the machine. This was a forgiveable illusion in the post-war decades, fears of a post-war slump were made to look foolish in unprecedented growth. Clearly, the arrange-ments at Bretton Woods, inspired by our particular god, John May-nard Keynes, had unlocked the secret. Now we find ourselves up in the bleachers, too.

The strains of the 1960s and the choos of the 1970s taught us that

minded". But the older commentators who denounced these notions from the start - remem-ber "Voodoo economics"? - cannot feel smug. Despite misman-agement, the developed world has remained obstinately prosperous.

This history provokes subver-sive thoughts. Can it be that eco-nomic policy does not, after all, matter? Do all the bad forecasts mean the whole discipline is founded on sand? A State Depart-ment official has dramatised his own impotence by describing 1969 as "The end of History." The

whole decade might just as aptly be called "The end of Econom-ics"; but that thought would not get quoted. Nobody cares, much. Both self-pitying conclusions are wrong, of course. What has happened in the 1990s, and especially in the last year, is simply the discarding of some old ideolo-gies. Political commentators are already mapping the next historical era in terms of population pressures, environment, and education. Economic commentators cannot be so self-confident - we are still defining the questions that have to be addressed, and will have to wait for answers. The questions themselves are

The questions themselves are interesting, though. What has really been dethroned is the computer. The big development of the post-war era was the computable model; it has developed to higher and higher levels of sophistication, until only high-level mathemati-cians can join in the debates. The result has simply been an impres-sively accurate picture of the sively accurate picture of the world with all the interesting details omitted

t measures trends but misses turning points; it can fore-cast GNP, but not that fate of particular industries, inflation, but not exchange rates. It is baf-fied by questions of high finance, of industrial structure, and of

personal behaviour. And it is get-ting worse at the things it still does well, a poetic victim of the ing the theorists in confronting ideological wing of the profesthis fact. Finally, a glad farewell to some sion. The new conservatism declared war on bureaucracy; one of the "heroes" of the fashions of result has been a headlong decline in the quality of official statistics, raw material of modellthe 1980s - to the speculative bankers, junk-bond issuers, ers. Garbage in, garbage out. This may all look a bit hopeless, but really it is a healthy development. A whole new wave



tals again. Central bankers are already in the new wave, con-cerned less with mechanistic rules than with the baffling ques-tions of prudential supervision distinguishing between speculative and productive lending, learning the psychology of mar-ket swings and the mathematics of swaps and futures, and the hard grind of debt work-outs. Mr Bush's Panama odventure may subject them to a crash course in the next few months, as relations with the Latin American debtors become more confrontational.

A cademic economists have more time to get their ideas into order, but the results could before long be important again. One field which readers of this column have vis-ited rather frequentiy is the study of demographics, which may offer whole new insights into long-term swings in savings, growth and inflation. Students of fiscal policy are becoming scri-ously interested in wealth effects, especially in the housing marked These and other studies could prevent nasty surprises in

Macro-economics now means global economics.Far too much past analysis has been based on a iost world of fixed exchange rates, a small international trade ssctor, and regulated capital flows. indeed, a central weakness of computer economics has been

of computer economics has been the need for long runs of data, which bridge fundamentai changes in the ground rules. Monetary theory is still trying to catch up with a world of float-ing interest rates, which abolish the distinction between short-and long-term leading. Interna-tional financial theory is begin-ning, at last, to produce some ning, at last, to produce some real msights into the world in which exchange rates are domi-nated not by trade, but by expected returns on investment.

Free exchange rates are thus fundamentally unstable, and for once the practical men are lead-

growth of computer sales conceal a marked disparity in growth rates for the different segments of the industry. Sales growth in minicomputers, for example, has virtually ground to a balt; the same is broadly true of the main-frames. Analyzing growth

same is broanly true of the main-frames. Analysis think growth might reach 1 per cent next year. Over the past faw years, the overall growth rate has been maintained by a sparkling perfor-mance from the microcomputer

may be waning. Retailers and manufacturers

Storeboard, a market research firm that tracks retail PC sales, says unit growth alowed this year

A s the domestic market slows, US computer mak-ers are focusing more of their efforts on overseas markets.

St Gobain Valiosayc Palles La Hoain Radiotech TOKYO (You) Minast Rises Bit New England GM UAL Faills AMR Eacord EAM PARIES (FFr) Filese SC Baccing Cis 633 + 8 465 + 12 5-X-5-645 532 -12 シャン Himmer Izantaiya Millio Sellan 3790 1200 1410 1750 + 420 + 90 + 120 + 140 Toerino, Marco Yuradas Beel Pullos Full Car Nition Spindle Yokywo 33 29 10 12 666 236 730 - 210 - 300 - 120 Bancaire Cia GMB Pack ed. Hew York prices at 12.30

microprocessor-based PCs and workstations

The overall figures for the

efficient demand was not the only economic problem; but 1979 looked like the watershed thet 1969 has proved to be. The young believed that the new conserva-tism, and the revived 19th century beliefs in monetarism and supply-side economics, would put matters right.

These doctrines look pretty foolish now. Supply-side is out of fashion, and most commentators of economists is waking up the only use the word "monetarism" paired with the qualifier "simpleneed to stop calculating, and start thinking about fundamen-

insider dealers, asset dumpers and others who have made the decade in which financial institutiona became dependent on life-support. They had to be cleaned off the slate to make a more constructive decade in the 1990s possible.

November 1989

### **Economics Notebook**

## Britain as a monetary tortoise

THIS HAS been the year of the tortoise and the hars in the drive for economic and monetary union in Europe. After Emn emerged as a big

After Linit contract as a big issue in the summer of 1988, Mr Jacques Delors, the EC commission president, made all the running in its support, at the expense of Britain's tortoise like financial diplomacy. But in recent months, the UK has begun to recover some

The Treasury's concept of an evolutionary approach to Emu through competing monetary policies has begun to look a little less outlandish than when first floated by Mr Nigel Lawson, the former Chancel-

of institutional progress towards a European central bank, which dominated discussion on union for most of 1989, has lost

some of its lustre. The EC Strasbourg summit The EC Strastourg summit earlier this month has turned out to be a setback for Mr Delors. The summit put off until the end of 1990 the start of the inter-governmental con-ference for preparing the EC Tractic amendments that will ments that will Treaty amend be necessary for economic and monetary union on the Delors model

This delay, necessary to spare West Germany's Chan-cellor Helmnt Kohl problems ahead of the German elections, looks likely to slow the drive towards union. The recent dramatic developments in eastern Europe and their probable impact on Germany are providing strong arguments against the EC rushing into new institutional developments.

Since Strasbourg, preparation of the IGC has been entrusted to the EC monetary committee. This could consti-tute a second setback for the Commission president. The monetary committee, which

comprises central bank and finance ministry officials, has often been a graveyard of bold ideas. It effectively smothered the plan to develop a European Monetary Fund in the two years after the start of the

European Monetary System in March 1979. The ambitious plans of Mr Karl Otto Pohl, the Bundes-

karl Otto Foll, the Bundes-bank president, to fostar co-or-dinated monetary policies in the EC through the Committee of European central bankers are likely to be another brake on Mr Delors' ambitions. Mr Pohl, who recently took over the abitrmentin of the comthe chairmanship of the committee for three years, is strongly opposed to the institutional way forward to union, would have liked the start of the IGC to have been delayed beyond 1990 and has spoken warmly of aspects of the Brit-ich plan

ish plan. The governors have a highly developed system of co-opera-tion that could give them a head start over Mr Delors in devising a pragmatic way

ahead to un The French and West Ger-man central hanks have already discuss their planned monetary targets with the aim of making them compatible. Mr Pohl has suggested that their committee could become the "nucleus" of a future central bank.

Finally, the softer tones emanating from Number 10 Downing Street about Britain's eventual entry into the EMS exchange rate mechanism have helped boost the credibility of the Government's policy. The competing monetary policies scheme, in which "good" poli-cies would drive out the "bad", is a development of the exist-

ing EMS. But Britain has not won the argument. Mr Pöhl, for example, has stated that the competing currency idea is no alterna-tive to the Delors report.

Indeed, the Government has probably done little more than neconp ground lost through inept financial diplomacy ear-lier this year. By flatly rejecting the Delors

Committee report on the day of its publication last April, Mr Lawson prompted wavering countries in the EC to side with the enthusiasts for mone-tary union in the subsequent

Mais international, the iman-cial research company. This would represent little change from October's deficit of £1.54bn, which, whish released late last month, raised City hopes that Britain's trade performance was at long last showing signs of fundamental imurovement. The British stance also ele-vated the Delors report to the status of a blueprint for Emu. Subtle warnings about Emu's dangers which had been inserted into the text by the central bankers on the Delors improvement. committee were lost from view in the polarisation of positions that followed the former Chan-cellor's outright rejection of optimism about the trade out-look has been the recent pertook has been the recent per-formance of exports. In the three months to October vol-ume of exports, boosted by the weakness of the pound against leading currencies, grew by 3 per cent on an annual basis. This was double the 1.5 per court month against in purch the report.

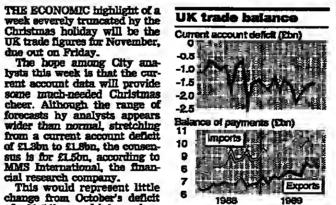
the report. It is likely that the British government will find it diffi-cult to persuade its EC part-ners to drop the Delors pre-scription of a common currency and central bank so long as the UK stays outside the SDM the ERM.

If this trend were to be main-tained, the trade gap could nar-row significantly next year. The Treasury itself expects the annual deficit to fall from an Moreover, ERM entry would not solve a more fundamental difference of views. While apparently willing to join the ERM, Mrs Thatcher remains estimated £20bn this year to £15bn in 1990. The Confederaviolantly opposed to the idea of a federal Europe. Here she is out of step with some of those tion of British Industry is even more optimistic. It forecasts a deficit of £13.8on by the end of who she likes to think of as next year

allies "I think I differ from Mrs Thatcher," said Mr Pohl in a BBC television interview recently. "I think the time for are confident that the sharp slow-down in consumer spending this year will be mainnation states is over. What we tained in 1990. This should will see in Europe in my view is a kind of federation of independent states, but within a framework of some kind of political union. And in this indicators for the economy, framework yon could also envisage a Buropean Central widely regarded as an accurate pointer to future trends, are bank System."

released on Friday. London broker James Capel notes that Peter Norman the most recent information on the indicators has been incon-

cent growth reported in import volumes over the same period.



**UK trade balance** 

6 1988 1989

clusive. Stock prices rose last month, M2 growth was relatively strong and unemployment claims increased, said James Capel, which expects no change in indicators in Novem-The main source of guarded

The MMS International con-sensus of forecasts is for a fall of 0.1 per cent in the leading indicators, to follow the 0.4 per cent decline in October.

In West Germany, during the week the cost of living index for December is published. City analysts expect a rise in the analysis expect a fise in the index of 0.2 per cent, similar to the increase in November. This would keep the annual infla-tion rate at 2.9 per cent. A host of statistics from Japan will be released during Christians meak Data on dis

Christmas week. Data on dis play will include retail sales, industrial ontput, honsing starts, unemployment, consumer prices and the current account, all for November.

ures are released in France this week; the trade balance for September, and the unemployment rate for October. UBS Phillips & Drew expects a trade deficit of FFr3hn and unem-

Today: Japan, investment in foreign bonds for November (\$14.9bn recorded in October). Tomorrow: UK, new vehicle registrations for November.

Friday: UK, ensrgy trends for October. US, leading indicators for November.

This announcement appears as a matter of record only

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**Phildrew Ventures** 

On the import side, analysts Two important sets of fig-

reduce the flow of imports into Britain, further helping to redress the trade imbalance. ployment of 9.5 per cent. In the US, the latest leading

### **INTERNATIONAL CAPITAL MARKETS**

## **INTERNATIONAL BONDS** The year of the Japanese equity warrant

In the short term this has

Positively, however, the

Trax trade matching and

versial and revealing deals

First Boston carried out a

short someeze on an Eculoom

deal for Toyota Motor Credit

Corporation. Traders in the

market had sold more bonds than they owned, and CSFB

realised that it owned commit-

ments totalling Ecul20m. It

squeezed the price as high as

109 to punish the guilty par-

Primary Markets Association,

ble for market practices among new issue houses, investigated

the practice of price stabilisa-

As a result the International

trade organisation responsi-

done nothing to improve the transparency of the primary

IT HAS been the year of the Japanese equity warrant on the Europond market. Not only did the instrument dominate the limited profitability of underwriting houses, but at the end of the year its threat-ened demise raised the spectre of contraction and shake-out on the wider market.

More and a second s

The accelerated intention of the Japanese Ministry of Finance to take greater control over the equity warrant business was a neat and telling assertion of economic reality after months during which Eurobond houses had engaged in tetchy discussions of syndi-cation techniques and business procedures.

At the time these diverting, sometimes entertaining, dis-cussions seemed fundamental to the market's future.

The underwriting banks were loudly examining the way they exposed their increasingly precious capital to the high risk world of the bought deal against a background of vola-tile markets. A few months later, almost

belatedly, participants realised the ground had been shifting beneath their feet even as they

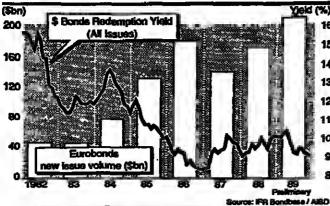
argued. The debate over syndication was really an attempt by larger banks to address the role played in the market by smaller rivals, many of whom lacked wide distribution and placement power and were accused of free-riding. Big hanks wondered how they might reform market practices to squeeze the smaller competi-

Whatever the political battles underlying the manoeuvr-ing, the Japanese have effectively delivered a reminder that the strongest squeeze will inevitably come from Tokyo, either in the form of restrictions on off-shore equity war-rant business or in the growth of the domestic yen warrants market

Given that recent developments have indicated the possible concurrence of these its way within a year. It will be painful. And it will be the smaller banks that feel

bonds and how much remained. to be placed. it first, about what constitutes an offence. As long as banks tell

More generally, 1989 was the year of equity-related deals in general. Many fixed-rate issues failed to materialise according law. Unfortunately,too many to borrowers' wishes, investor demand was elusive and templayers have decided they pre-fer to say nothing at all rather than risk a misunderstanding. porary and economic funda-



mentals were unfavourable. Much of the profit drawn away from the Japanese warrant sector came from convert-ible deals, or even straight

development of technology and the application of the AIBD's international equity issues. Behind the scenes, the growth of the private placement business suggested the Eurobond market was still struggling to swerve around the greater regulatory interfer-ence implied by a more assertive Association of Interna-tional Bond Dealers.

The problem of regulation will be an enduring one for the Eurobond market. Late in the year the issue of compliance came to the fore as lawyers euggested that what a lead manager says about a new issue could inadvertently cona series of innovative, controstitute a breach of the law. Discussion was complicated which spoke volumes about by overlapping jurisdictions. the market: • In February Credit Suisse Precedents in the UK domestic

market, however, led to a noticeable increase in Euro-

bond lead managers' reticence.

In particular, many banks became unwilling to comment on the placement of their

Even UK laws are clear

the truth, they are within the

- who had bought the

1989 will be remembered for the

syndication debate, the fixed-price

innovative and controversial deals

underwriting method and a series of

which spoke volumes about the market

ties

Yjeld (%) 16 stop abuse by unscrupalous hanks 15 Also in February, a series of high-coupon Australian-dol-14 lar denominated dual-corrency

13 issnes caused controversy when it was claimed that 12 many retail investors did not understand the risk attached to the borrower's currency option. The highest coupon 10 was 20% per cent on a deal for Banque Générale du Luxembourg.

• In April CSFB took a calcu-lated risk and ruffled feathers when it brought a £400m 25-year issue for the Republic of Italy. Institutional investors in

the sterling market boycotted the deal, saying the pricing was absordly tight. CSFB challenged them to ignore what it said would be a benchmark deal, and argued the institutions ware proset the institutions were npset because their cozy world had been jolted.

reporting system are leading inezorably towards more trans-parency. That will make it ever harder for lead managers to Six months later the bonds were trading very comfortably, and the sterling market was obfuscate as it will be increasingly obvious to all concerned how a new issue is progresslooking more competitive than

• J.P. Morgan moved into the spotlight in May when it upset rival hanks by withholding underwriting fees on a deal for ICI, informing the banks moments before it launched a Nevertheless, 1989 will be remembered mainly for the syndication debate and the launching of the fixed-price reaffered underwriting method. It will also be remembered for new ICI issue. Cynics accused it of exploit-

ing a deadline for reform of market practices disallowing the deduction from fees of nses incurred in supporting the price of a new issue. The debate over syndication methods moved up a gear. • J.P. Morgan stayed in the limelight in June, bringing possibly the most innovative deal of the year, an exchange issue for the Republic of Finland. A basic \$250m seven-year deal carried a novel offer whereby Finland allowed investors to switch out of some of its small previous deals, thereby replac-ing several old bonds with a single large and liquid new issue.

There was some controversy rival banks argued that investors not wanting to exploit the offer would be left with the illiquid rump of the existing deals. Take-up of the issue was smaller than expected, but still enough to make the deal a success. The final issue size was about \$525m. • Fears about event risk and leveraged buy-outs largely

tion by lead managers of new killed off the market for corpo-issues and changed the rules to rate bonds until late in the year, when a few deals carry-ing specific investor protection against event risk met good

receptions. • A long-term marker was laid down in September hy the World Bank with its successful \$1.5bn global bond issued jointly in the US and interna-tional markets. Before it could be launched, however, Morgan Stanley stunned the market by introducing the US-style fixedprice reoffer method of syndication on a \$500m deal for New

Zealand. "The talking is over, at last there is action," said one banker. • Worries about the possible legal implications of keeping quiet about an unsold position in a new issue led Baring Brothers to announce that only 55 per cent of a domestic UK deal for Allied Lyons had been

blaced. Compliance became a hot topic and underwriting banks suddenly discovered a new excuse for keeping quiet shout deals. Italy noped the stakes in October by bringing a \$1.5bn jumbo issue via Morgan Stanley. It tested the fixed-price

reoffer technique (but not too severely) and carried significantiy lower fees for under-writing banks. • In November Merrill Lynch brought a \$500m reaffered deal

for GMAC that really did test the new method. Two leading supporters of the technique pulled out of the deal at the last minute, ostensibly on price grounds, while the bonds were aunched on to a weak underly-

ing market. The deal survived and per-formed creditably. But bankers began to remember something they had lost sight of during months of debate - sensible pricing remained the key to success and arguments about syndication were irrelevant

 pricing was correct.
 In mid-December Daiwa was set of the set accused of trying to clin league tables when it launch a \$400m deal for the Repub of Austria, an accusation hotly denied. Traders said t issue stood out because, in g eral, there was little blate league table business duri the year. That was a welco change and perhaps an indi-tion that banks can no long

afford to buy business as th did in the past. Andrew Freeman

## **US MONEY AND CREDIT Federal Reserve hands** out its Christmas present

year end itis."

scepticism about the widely-

cent or even 7 per cent. The bearish implications of

indicator pointing in this direc-

The problems of the housing

recent cutbacks in demand and

production have been so severe that a turnround may be in the

This leads to the other

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domestic objection to the bull-

ish consensus. The current

tion

THE MARKET got its long waited Christmas gift from Washington last Wednesday when the Federal Reserve Board finally cut % point off the Federal Funds rate. But there was nothing warm in Alan Greenspan'e manner as

Aian Greenspan's manner as he handed out the paitry good-ies to the clamouring traders. This certainly seems to have been the bond market's atti-tude to almost everything that has happened since the begin-ning of this year's absurdly extended US holiday season, which seems to have cast a Without getting entangled any further in the bluffs and which seems to have cast a pall over all market activity on Wall Street not just in the week before Christmas but for accepted view that bonds yields will soon fall to 7½ per the month and a half since Thanksgiving on November 28. Ever since then, the market consensus on the bullish pros-pects has become overwhelmthe declining dollar could turn out to be the main bond mar-ket story of early 1990 and were discussed at length last week. The purely domestic objections to the bullish case ing as the reports of economic weakness and stabilising infla-tion have flooded in. Yet next to nothing has happened to band prices. This has caused are equally telling. First is the possibility that some investors to wonder whether the bull market has lost momentum, but far more to conclude that the big rally would simply have to wait until after the holiday season. the US economy may actually have reached, or even passed, its low ebb already. The unex-pected 5.1 per cent jump in durable goods orders announced on Friday was one There is now serious concern among the bullish market ana-

lysts abont the number of investors who anticipate a major rally the moment norand car industries are well known, but in both cases the mal trading starts in the New Year. Mr Ed Yardeni or Pru-dential Bache defined the hulls' dilemma admirably just before Christmas: "We're sur-prised the market hasn't manoffing. Outside these indus-tries, the US economy is still very far from recession. aged to rally. We think it soon will do so. We expect the gov-ernment bond yield to fall to 7.5 per cent any day now. "This is a very consensus

level of real interest rates already seems to allow for any

	Yesterday	Last. Friday	4 mks 290	12-month Hillyh	12-mont
Fed Finds	8.37 7.87 7.86 8.30 8.55 8.20	8.50	825 7.75 8.18 8.25 8.18	9.92 9.03 10.75	8.00 7.37 8.18 8.05 8.14
Three-basth Treasury bills	7.87	7.58	7.75	2.03	7.57
Sta-month Treasury Bills		7.78	7.67	9.05	1.3/
30-day Constantial Page	8.55	8.45	125	9.95	8.05
90-6ay Commercial Paper	8.20	8.40 8.45 8.32	818	10.05	8.14
US BOND PR	CES A	ND Y	ELDS	(%)	
	Last Fri.	en wit	Yield	1 week	Ť,
Soes-year Treasury	10033	inter-	7.107	7.80	7.74
20-peter Treasury	112	- 6	7.97	7.94	7.97

plausible economic alowdown forecast, usually the kiss of short of a full-scale recess death for anyone counting on it. If bonds cannot respond to good news, the risk is that prices could decline sharply if the economy starts to heat up to everyone's entroles. Since With the inflation rate remain-ing extremely steady above the 4% per cent range, bond yields below 7% per cent seem to have little long-term invest-ment enneel to everyone's surprise. Since we are solidly in the builtsh camp, our guess is that the bond market is suffering from

ment appeal. The bulls have three possible ripostes. One is that US infla-tion rate is on the brink of major deceleration. Another is that a classical recession will extend on the local method. actually occur in 1990, precipitcounter-bluffs of the contrarian approach to financial logic, it ating very aggressive cuts in short-term rates, as well as a does seem worth reiterating some fundamental reasons for short-term rates, as well as a flight to safety into the Tree-sury bond market from equi-ties and junk bonds. The third possible reason for boucholders' optimism is that the threat of a recession will

force the Fed to ease much more dramatically than it has done so far. This easing will avert an actual recession, but will reduce the competition of which has made bond invest-ment relatively unattractive since the yield curve became inverted a year ago. This last scenario of a fur-

ther pre-emptive easing by the Fed is much the most popular one among bond investors, few of whom actually expect a recession in the next year.

This view seems very plausi-ble on political and historic grounds. The central bank will be under enormous pressure from the White House and Congress to keep the economy growing ahead of the November elections.

For bond investors, however, the idea of a pre-emptive eas-ing begs the all-important question. If the Fed does cut short-term interest rates to avert or delay the next reces-sion, what will this do to the long-term prospects for infla-tion and bond yields?

If easier monetary policy establishes 4% or even 4 per cent as a floor for inflation in the next stage of the economic cycle, this can hardly be good news for someone committing 80-year money to Treasury bonds on a yield of less than 7% per cent. If the economy s weaken and the Fed doe continue to ease, in other words, a major steeper the yield curve could be in

Anatole Kaletsky

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† 3,790,124 million Iranian Rizh translated at the closing exchange rate of 67.1 to 1USt - 25 per the Provisional Financial Statements for the Iranian year 1367 (ended 20 March 1989)

## INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Mr Jean Gandois, chair-man of Pechiney, the

## "IN Prese **US suppliers to** suspend goods to ailing Campeau

By Anatole Kaletsky in New Yor

NUMEROUS US apparel suppliers and wholesale mer-chants said at the weekend that they would suspend ship-ments of goods to the troubled Campeau retailing empire after the company's announcement without that Chilberk the chants said at the weekend that they would suspend ship-ments of goods to the troubled Campeau retailing empire after the company's announcement the company's amouncement on Friday that Citibank, its lead banker, had threatened to call a technical default on more than \$2.8bn of debt.

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The Campeau amouncement was preceded by a suspension of its battered shares on Friday on the Toronto Stock Exchange, where trading was not due to resume until today. Campeau said Federated Department Stores and Allied Stores, its two retailing subsidtaries, had received preliminary default notices from one of their bankers, later confirmed by Campeau to have been Citibank.

The notices, dated December 21, said the retailing companies had "failed to comply with reporting requirements under their bank credit agreements" and that an "event of default" would exist if these alleged failures were not remedied within 10 days. Such an event of default would permit Citibank to

demand immediate repayment

NISSHO IWAL, the big Japanese trading company, has bought zircou and titanium mines in Australia for A\$240m (US\$190m). The mines satisfy some 6 per cent of world zircon demand and 10 per cent of titanium demand, according to the Japanese company, AP-DJ

Nissho Iwai said the purchase, from Australia's Pioneer International resources group, was designed to secure the supplies of the two minerals said to be in growing demand in world markets.

The mines, run by Pioneer's **RZ** Mines Group and Cable Sands Group, are located near Newcastle and Bunbury, They have been producing about 50,000 metric tons of zircon, used for making ceramics products, and 288,000 tons of titaninn materials a year.

struggling US casino group, has as expected filed under Chapter 11 of the US Bankruptcy Code in line with an agreement reached with creditors in November. Resorts, along with Griffin

Resorts, Resorts International Financing and Griffin Resorts Holding, are filing voluntary Chapter 11 petitions to obtain approval for a proposed joint reorganisation plan. This will also be filed with the US Bank-

ruptcy Court in New Jersey. Under the plan, Mr Merv Griffin, the TV personality, will see his stake in the reorganised company reduced to 22 per cent, Mr Griffin had bought Resorts from Mr Donald Trump, the New York-based property developer, in 1988. The operating companies of Resorts in Atlantic City and tal. the bank said.

the Bahamas are not involved in the bankruptcy proceedings. savings banks.

In celebration of the unconventional trend By Roderick Oram New York

BOEING plans to lay off about 1,200 workers despite orders for 885bn of its airliners and deliv-ery dates stretching into the mid-1990s.

Citibank notice by disputing the claim that it had defaulted on any of its reporting require-ments and said the "assertion of a default on such basis is

ers.

wholly without merit." Nevertheless, several retail suppliers said all further ship-ments to Campeau group stores would be halted pending a resolution of the dispute with Citikenk Citibank. Given that the Christmas

lling season was now over, this would create few immedi-ate pressures either on Camare pressures earlier on cam-pean or on the apparel indus-try. However, several analysts asserted that bankruptcy fil-ings by Federated and Allied were now virtually inevitable. From the apparel industry's standpoint, such filings would be advantageous. US law

would allow Campeau to contime making full payments to its suppliers while the claims of bankers, bondholders and equity investors were settled by the bankruptcy court.

COMPANY NEWS IN BRIEF

## Boeing plans to shed 1,200 employees

world's top packaging group and third largest aluminium producer, has been celebrating Christmas in what noany might consider an eccentric fashion. While most people were doing their last-minute shop ping last Saturday, Mr Gandols was flying from Paris to a grim, wind-blasted coastal It said most of the job losses would come on the 747-400 pro-duction line at its Everett

grim, whitehaster cossist plain near Dunkerque. There he laid the first stone of state-owned Pechiney's new FFr5bn (\$862m) aluminium smelter, due to churn out plant near Seattle. The aircraft went into service earlier this year after a troubled start-up. The delay made it the first model in 20 years Boeing had delivered behind schedule. 215,000 tonnes of aluminium per year by 1992, when it will provide more than half of total

Increased productivity, more experience in the line and the French output. The move has surprised many industry analysts, who argue there is no scope for new end of start-up tasks such as certification, mean Boeing needs fewer workers to build the aircraft. It said it was Ruropean production in this sluggishly growing industry. Why do it? "I like to do things that interest me," quips the 59-year-old Mr Gandols studying an increase in production rates but would make no decision for some time. The 20,000 workers at Everett also make Boeing 767 airlin-

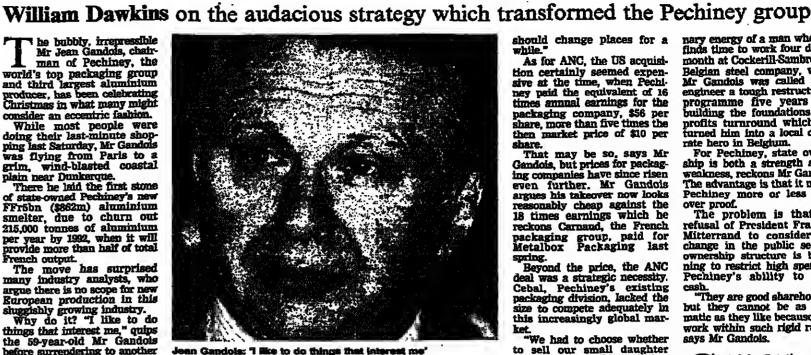
before surrendering to another of the gales of laughter that punctuste his conversation. The ceremony marks an Despite the lay-offs Boeing important phase in Mr Gan-dois's ambitious strategy for what was a loss-making second said it would be able to reduce overtime work sharply during the first half of next year for its remaining employees. Dur-ing the rapid build-up in pro-duction rates over the last 18 months, many Boeing employ-ees worked more than 200 rank aluminium producer when he took over two and a half years ago. To bring about the transformation of a group

which reported more than dou-bled first half net profits of hours of overtime a quarter. The company said it had hoped to shrink its workforce FFr1.73bn, he has stubbornly moved against the conven-tional trend. through attrition and reassign-Not only is he opening new production in Europe when ment. But weakening demand

for Boeing defence products others are looking for supplies made the lay-offs necessary. in countries where energy in this highly energy intensive Spanish bank to

business is cheaper. But he is also digesting the audacious \$1.2bu acquisition of America National Can (ANC) BANCO SANTANDER, Spain's fourth largest bank, said its shares are likely to start tradpackaging group, criticised by many for being over-priced and overambitions when launched by Pechiney just over a year

ing in Tokyo at the end of Jan-uary after the Tokyo Stock Exchange approved the first listing of a Spanish bank in Japan, Reuter reports. ago. The cost of Dunkerque and the ANC acquisition have left Pechiney with heavy debts of The listing has been timed to coincide with the placement FFr29bn, 1.25 times shareholders' funds. That is even after the group has taken radical with Japanese investors of 750,000 shares, equivalent to steps to cut debis over the past year, during which it sold its elegant central Parisian head 0.71 per cent of the bank's capioffice for FFr2.76bn - the staff are moving to a rented block in the modern business district of Nomura Securities is handling the placement, which is being underwritten by a con-sortium of leading Japanese La Défense - and raised FFr6.4bn from a new equity



the project.

ven after the electricity Price increases imposed on the scheme by the

Commission, Mr Gandois believes that "costs at Dunker-

que will not be the same as the

cheaper countries, but they will be at least comparable if

you include logistics and

freight." With a wry smile, he adds: "I

mean no reproach to the Com-

mission. But it is constrained to use means that seem too

theoretical." He adds: "I some-

times think that I and my

friends at the Commission

issue, including the flotation of 25 per cent of a new subsidiary, broadly grouping the packaging hustr

And yet, the signs today are that Dunkerque and ANC were extremely astute decisions. The beauty of Dunkerque, explains Mr Gandois is that it gives the group a highly mod-ern plant near its main markets at a time when the pressure for closure will be on ider and less efficient smelt-

"Yes, there will be industry overcapacity," Mr Gandois admits But it will be less severe

expected surplus of the Gravel-ines power station. than in recent years because companies are now more flexible, with smelters already managed to stick more or less to schedule. ready for closure." Pechiney is itself closing two

of its own redundant plants in France, so that even with the new production at Dunkerque, the group's world capacity will only rise from 860,000 tonnes annually, of which 300,000 tonnes is now in France, to

950,000 tonnes. "Don't ask me to say who will be making closures in the future. But let's just say that the three companies with the strongest plants in the world are now Alcoa, Alcan and

Pechiney," he argues. Pechiney's competitors believed it could not have even. considered Dunkerque without

should change places for a while." As for ANC, the US acquisi-

tion certainly seemed expen-sive at the time, when Pechi-ney paid the equivalent of 16 times annual earnings for the packaging company, \$56 per share, more than five times the then market price of \$10 per That may be so, says Mr

Gandois, but prices for packag-ing companies have since risen even further. Mr Gandois argues his takeover now looks reasonably cheap against the 18 times earnings which he reckons Carnaud, the French packaging group, paid for Metalbox Packaging last spring. Beyond the price, the ANC deal was a strategic necessity.

Cebal, Pechiney's existing packaging division, lacked the size to compete adequately in this increasingly global mar-"We had to choose whether

to sell our small daughter while she was still beautiful or to buy," said Mr Gandois. The deal lifts Pechiney's

hidden state support, in the form of cheap electricity prices annual sales by about 50 per cent from last year's FFr50bn to an expected FFr76bn this from Electricité de France, which will sell a temporary surplus of current from its biggest power station at nearby Gravelines and take a stake in

While Pechiney sees packagwhile retainey sees parkage ing as a key profit area in its own right, the acquisition of ANC, the world's largest single consumer of aluminium, is a neat counter-cyclical balance to aluminium production, says British Steel lodged a com-plaint with the European Commission's competition authori-ties, as a result of which Mr Gandois admits that he serious to aluminium production, says considered shifting the project to a cheap energy country like Venezuela, Australia or Can-Mr Gandois. Pechiney's pack-aging businesses will see their margins reduced by about S100m this year, he estimates, because they are unable fully to pass aluminium price ada. For any delay meant the new aluminium plant risked mistiming its output with the increases on to customers, yet this will be compensated by in the event, Dunkerque has the rise in Pechiney's aluminium profits from higher metal prices.

When aluminium prices fall, clearly the packaging division gains. There is also a strategic fit in that tins and other metal packaging demand an increas-ing amount of high value added alloys, a useful diversification for Pechiney's primary

aluminium business. What Mr Gandois has been doing to France's state-owned aluminium company is one of the clearest examples of the more open attitude being taken by the Socialist Government within limits - to the manage-ment of its public enterprises. It also reflects the extraordi-

nary energy of a man who still finds time to work four days a month at Cockerill-Sambre, the Belgian steel company, where Mr Gandois was called in to engineer a touch restructuring programme five years ago, building the foundations of a profits turnround which has turned him into a local corpo-

rate hero in Belgium. For Pechiney, state ownership is both a strength and a weakness, reckons Mr Gandois. The advantage is that it makes Pechiney more or less take over proof. The problem is that the

refusal of President François Mitterrand to consider any change in the public sector's ownership structure is begin-ning to restrict high spending Pechiney's ability to raise

cash. "They are good shareholders, but they cannot be as prag-matic as they like because they work within such rigid rules, says Mr Gandols.

A ertainly, flotation of the packaging businesses -itself disapproved of in some government quarters -and the sale of the head office have reduced debts to a "toler-able" level. But Mr Gandois feels it would be risky to iucrease Pechiney's gearing again and that this hampers his ability to make further takeovers

The main options he is now considering for bolstering the balance sheet are to divest peripheral businesses, or to follow an example set recently by Rhône-Poulenc's issue of participating securities, and rely on Paris' innovative banking system to concoct some form of equity issue that will allow Pechiney to raise funds with-out diluting its state share-

Apart from that practical problem, Mr Gandols believes state ownership makes little difference to the way Pechiney is run. He does not go far as some of his colleagues at the heads of other state owned companies who keenly wish to be privatised.

I am one of the few people in France to have directed both private and public companies," he says.

14 15 a false idea that there is difference. State ownership does not change the nature of things. The main issues are the same."

### **US COMMODITIES PRICES**

US MARKETS

trade shares

IN ACTIVE TRADING, orange juice futures rose as the market continued to reflect concern over US crop damage as a result of extreme cold weather especially in the South-West, report st, reports Drexel Burnham Lambert, Cotton, too, rose sharply on similar concerns, hile coffee futures featured heavy fund-type buying as the market rallied in response to possible frost damage to crops in northern Mexico. Sugar rose is sympathy with the cotton and orange juice, but quickly ran into trade selling which prompted commiss house selling in light volume. Cocos continued lethargic. The energy complex ratiled sharply with hea posting gains of over 12 cents as the market responded to tightness of supply. The precious metals fell sharply with general long-liquidation touching-off sell stops as pre-year-end position-equating was seen. Copper rallied with fund buying prompting local buying and commission hour stops in a technical move which stalled on profit-taking. Cattle futures rose as cash prices were higher reflecting nearby tightness of supply. Hog futurailied late in the session as cash prices recovered from earlier weakness. Pork bellies underwent a chnical correction on the upside and in anticipation of higher cash prices and lower kills. The grains were mostly lower in lacklustre trading as a result of a lack of export demand, favorable South American weather and a erception that Interior US move of grain will improve as the w

#### New York

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lun -	420.2	426.8	426.0	428.0
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Jul	578.6	561.6	579.0	575.0
Sep	584.9	589.9	667.0	595.0
Dec	598.8	801.8	098.5	597.5
inn.	506.6	605.5	604.5	004.5
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Feb	107.80	107.10	108.20	107.8
Mar	107,15	- 106.50	108.30	106.71
Apr	108.50		107.66	107.1
May	105.85	105.10	107.00	105.9
Jun	105,40	104.75	0	0
Jul	104.95		105.70	106.20
	104.60	104.10	. 0	

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Labort Previous High/Low	SOVABEANS 5.000 bu min; cents/60ib bushel	This announcement appears as a matter of record only.
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Jul 20.25 19.69 20.25 19.70	May 596/6 599/2 596/6 596/2	
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Mary         94.01         90.07         95.00         71.00           Jul         65.86         62.63         67.00         83.70           Sapp         88.00         84.60         89.00         85.60           One:         92.00         87.40         82.60         88.60           Mary         94.00         90.48         0         0	May 244/0 244/4 244/0 243/6 Jul 248/4 246/0 245/4 245/0 Sep 245/2 248/0 245/6 245/2 Dec 244/4 245/2 244/0 Mar 250/6 252/0 251/2 250/5	Rissidia Merican SAL
Sep 38.00 84.50 89.00 85.60 Dec 92.00 87.60 92.50 85.60	Sep 245/2 248/0 245/8 245/2	
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Close Previous High/Low	Mar 410/0 411/5 411/4 409/5 Mary 357/6 369/4 390/0 357/5 Jul 355/0 355/6 369/0 357/4 Sep 352/4 36/0 355/4 352/4	
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## **INTERNATIONAL CAPITAL MARKETS AND COMPANIES**

Genetic engineering may sow flourishing seeds

### Peter Marsh on a possible boost for seed groups

he fledgling high-tech industry that is the world's seeds business is still in a sickly state. No one knows if it is going to flower vigorously or wither at birth.

The point is underlined by the Royal Dutch/Shell oil and chemicals group's recent decision to consider putting up for sale its Nickerson International Seeds Company, a ven-ture to which Shell had until recently appeared to attach

considerable importance. Shell has asked Teweles & Company, a US consultancy, to examine Nickerson to see if would flourish better "by an association with a company committed to seeds as its main-

stream activity." The Anglo-Dutch company said it could not elaborate fursain it could not elaborate fur-ther on why it was taking this route. It said it would decide whether to sell the unit only after the consultant had fin-ished the study. Shell has built up its \$100m-a-year Nickerson subsidiary since the 1970s, apparently in a bid to diversify into a promis-

since the 15/0s, apparently in a bid to diversify into a promis-ing area of science with the potential of long-term pay-offs. The oil group is one of e number of large companies which has viewed seeds as a business that could be transformed – and made mich more profitable – by novel techniques in plant breeding

and genetic engineering. Companies entering the seeds field over the past decade have been mainly from the have been mainly from the chemicals and associated industries. They include Impe-rial Chemical Industries of Britain, Switzerland's Ciba-Geigy and Sandoz and Rhône-Poulenc of France. Pfizer, the US drugs company, also has a major stake in the industry. These groups have changed

These groups have changed the shape of the seeds busi-ness, which during the 1970s was a sleepy backwater whose main players were small family groups and offshoots of agricul-

tural concerns. No one is pretending, how-ever, that the seeds industry, with sales in the Western world and Japan estimated at \$10bn-\$20bn a year, makes anything more than modest prof-its. It is also an inherently cyclical business with pertur-bations in demand linked to

the ups and downs of agriculture generally.

What the big chemical groups are interested in, how-ever, are the advances in biotechnology that in recent years have enabled scientists to insert invisible strands of genetic material into the cellular structure of plants. Millions of dollars are being spent on

research in this area. The new histechnology makes possible the production of seeds on a production line hasis that are exactly programmed to grow into plants of specific characteristics. In

#### WORLD'S TOP SEEDS COMPANIES

(1989 seed sales, \$m) Nationality Sales Company US Pioneer Sendoz 735 Switzerland 500 Upjohn US Limegrain France 270 ICI Cargill Dekaib\* 119 230 170 Takli 160 150 Ciba-Galgy Sakata Japan 140 \* Owned by Pilzer. Source: Industry estimates

this way, vegetables and other crops could be made to develop with *in*-built resistance to

attack from insects or diseases or with other properties of value to the farmer. As one example of this research, ICI is one of e numresearch, ici is one of a fund-ber of companies working on genetically-programmed toma-toes which become less squashy during the ripening stage, and so give a fuller fla-vour. Tomatoes such as these could become amounting strill could become generally avail-able by about 1993.

US's Cargill

Many of the companies which have entered the seeds business are also big players in the \$20hn-a-year agrichemicals industry. They think that work in seeds could complement their activities in coming up with new plant protection for-mulations such as herbicides and insecticides. studies at its research labora-

The trouble with all this rea-The trouble with all this rea-soning is the uncertainties over transforming the science of genetic engineering into products with financial pay offs. Studies in this field are not only highly expensive but involve uncommonly long sales operations in the US, which are controlled via a sepmanagement together with another group called Maxwell Hybrids.

### Japanese futures 'to grow' development times. And there is a great element of risk over By Deborah Hargreaves

making biotechnology that works in the laboratory into a FOREIGN involvement in Japanese stock index futures contracts should grow next year from its current level of 2 "We are still at the bottom end of the learning curve," admits one executive at ICL,

**Interest** in

year from its current level of 2 per cent, according to a report to be released by James Capel's research unit. Mr Quintin Price, head of options research at the securi-ties house, helieves foreign investors will take a 9 per cent slice of Japan's new stock index contracts to equal their 9 per cent involvement in the equity market. Volume in Japan's index which is among the top five seeds companies with annual revennes around \$250m hut which is not expecting the business to turn into profit until the mid to late 1990s. Mr Alastair Kilgour, an ana-lyst at the London office of ENP, the French bank, says

Volume in Japan's index futures has blossomed since their inception last year and the Nikkei 225 futures is cur-rently trading over 500,000 "the jury is still out" as to whether seeds will turn into a good husiness for the large chemicals companies. These uncertainties, how-ever, have not stopped the prolots a month with the Topix, Tokyo Stock Exchange's inder. gression in recent years of companies into the seeds busitrading some 350,000 contracts

ness, the top company in which is Pioneer of the US which has annual sales But much of this business is cosmetic since big brokerage firms will cross trades until the market becomes estabapproaching \$1bn. Other leading concerns include Japanese groups such as Takii, Sakata and Ajinomlished. Mr Price reckons that real

market activity is only 50 per cent of reported volume. "Every so often, absolutely oto, while the French are well represented throngh an off-shoot of Lafarge, the cement group, and the big seeds com-pany Limagrain. monnmental trades go through and then the market Unilever, the Anglo-Dutch

is quiet again," he says. This activity will decline as food-processing company, appears keen to build up its more real users come to the market, he believes. small interests in the field

In suite of the symbolic vol-ume, the futures contracts on while other food groups among the leaders in seeds include the the Topix and the Nikkei 225 which trades in Osaka, already trade more than Chicago's The degree to which compa-nies such as these express an interest in buying Nickerson belwhether Standard & Poors 500 index intures which has long been the leader in the industry. will provide a good pointer as to the state of current opti-mism in the seeds business. Nickerson, which is based in Britain and has sales

However, one of the draw-backs of Japan's futures maroperations throughout Europe, ket is the margining practices is valued according to esti-mates at about \$150m. Its activwhich restrict investors from removing interest on variation ities do not include other parts of Shell's plant-breeding intermargin as their positions move newards - a facility that exists in other futures ests such as the company's work in agrichemical-related markets.

This means that to free up tory in Sittingbourne in Kent. Neither do they include Shell's seeds development and margin money, traders close and reopen positions - a prac-tice that also boosts volume. James Capel expects volume in Japan's stock index futures arate company run by a joint to grow by 20 per cent in real terms per year, hat as cos-metic volumes fall, actual growth will be nearer 10 per venture of the oil group's US cent next year.

HOW GENEROUS the Eurocredits, notes & commercial international banking community is with its capital. Ten years ago, international banks

INTERNATIONAL BANK LENDING AND COMMERCIAL PAPER

were in the middle of a bout of capital distribution to develop-ing countries (although their subsequent niggardliness means the consequences of that excessive lending are with us now).

In the middle of the decade, they decided to spread around still more capital by setting up securities subsidiaries in Lon-don and elsewhere. In latter don and eisewhere. In latter years they have also played their part in a redistribution of wealth, with the main benefi-ciaries being the shareholders

of companies subject to over-priced leveraged takeovers and the arrangers of such deals, In 1989, the leveraged buy-out balloon has fattaned and hurst. At the turn of the decade, international bankers are confronting the conse-quences of collective lending mistakes of recent years in their leveraged lending in the US and UK. Many were in gloomy mood before they left for the Christmas break. Some takeovers were based on over-optimistic husiness assumptions, which put too

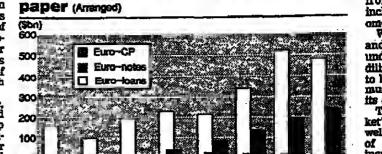
heavy a repayment schedule on debt-burdened companies. Others relied on asset sales which, in part because of the demise of the junk bond market, cannot be completed in time at the projected prices. But worries about past mistakes also have consequences for the future. Just as Mexico's problems in 1982 brought about a general retreat from lending to developing countries, so banks are unlikely to be suffi-

ciently discriminating in their attitudes to future leveraged lending. Good deals will in all probability be thrown out with the bad. This emphasises the bad

deals on the margin and underestimates the larger number of well-conceived transactions that have yielded benefits for all participants. But banks make, and lose, their profits on the marginal deals. If one single loan changed perceptions in 1989 it was Citi-

corp's failed syndication of a \$7.2bn financing for UAL, the US airline. Without going over again the many reasons behind again the many reasons behind that failure, including increased anxiety among bank regulators in the US, UK and Japan about leveraged lending, the unequivocal message was this: providers of debt would demand higher returns in view of the higher perceived risk. The question for the early 1990s will be whether the higher expectations of debt

higher expectations of deht holders can be reconciled with the demands of equity holders to allow leveraged deals to take place at all.



The failure of a deal as prominent as UAL's would have been inconceivable even e few years ago. That is despite a development which should make deal failures less, not more, common. The growing business of selling on loan par-ticipations by leading banks to other banks should provide pricing signals that were absent in the market a few years ago. The fact that more deals fail than used to is attributed by some to a declining sense of

innovative way. In the Eurocommercial paper Preliminary figures from Euromoney magazine show the volume of international loans the market faced its severest test since inception. The defaults by borrowers such as DFC of New Zealand and Wang Laboratories have underlined a - this includes term loans, revolving credits, tender facili-ties and other facilities - to have slipped this year from the record levels of 1988. A total of number of points: the care which investors must take \$470bn in credits was arranged. higher than any year save 1988, when \$519.1bn was arranged. Still, these figures are very approximate as deals emerge even when programmes are rated, and the troubles which defaults can pose to commer-cial paper dealers even though they have decided that they from the woodwork in the new year: 1988's original prelimihave no responsibility for nary estimate was subse-quently revised upwards by a huge amount.

Paradoxically, even though the defaults signalled the shortcoming of the credit rat-ing system, they will probably encourage the spread of the ratings process into the inter-national market. Investors Euromoney's figures suggest that at least \$50bn of the 1989 volume was due to bridging credits, compared with \$17bn the year before. There have been problems in refinancing such bridging loans for US leveraged buy-onts in the absence of a functioning junk have precious few other yardsticks to guide them. extra care in hringing pro-grammes to market since their bond market.

reputations can be damaged with investors if their names. Looking aheed, the gloom will not pervade all areas of the market. There was indeed are linked to too many failing little evidence of the usual December slowdown in lending programmes. activity, and 1990 should start to dealers in the market

off very actively. In one sense, traditional vir-tues may well become more remain extraordinarily low, it is hitle wonder that there has been a gradual reduction in the highly regarded: more security will be demanded as banks attempt to secure their loans commitment to the marinet by. many dealers. Many that have decided not to retreat completely have on conservatively-valued rolled their Eurocommercial

There are also a few signs that, as banks pursue lending opportunities with higher

returns, lending to developing countries may become more important. Such loans will not look like they did in the 1970s,

paper market operations into the rest of their short-term asset and liability management. operations.

Still, it was a surprise when earlier this month, Merrill Lynch announced its departure

Gloom falls on a decade of lending from the ECP market - the most significant withdrawal from the market since and including the departure of Sal-omon Brothers in October 1987.

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omon Brothers in October 1987. With 197 ECP programmes and a further 25 revolving underwriting facilities, the due diligence required by the firm to keep its ECP business going must have had an influence on its decision to quit the market. The departure of the mar-ket's fourth largest dealer may well add strength to the arms

well add strength to the arms of those dealers trying to increase their meagre returns from the market. Returns of two to three basis points a year hardly constitute a feast; with current outstandings, all the desiers remaining in the marhowever: a financing being arranged by Chase Investment Bank for Sonatrach, the Algecenters remaining in the mar-ket are earning together. between \$14m and \$20m a year. It will also certainly leave a larger share of ther cake for the others still interested in it. rian state oil and gas concern, may well point the way for-ward. Using options technology, the financing rewards lenders if there is a rally or a As the cumulative figures in

drop in the off price. Here is an example of the type now being encouraged by the World Bank of a country using its own nat-ural resources as a lever to encourage bank lenders in an incourage bank lenders in an the chart show, ECP pro-grammes continued to be grammes continued to be arranged for new borrowers in 1989 – something which reflects in part the increased interest from US issuers in the international market. How-ever, outstandings have hardly risen at all, despite this increased interest from the US, mainly because lower quality market too, the question of default dominated debate as mainly because lower quality issuers seem to have aligned out from under the market.

out from under the market. Worries over the year shout event risk has encouraged demand for the paper of issu-ers free from event risk, and there has been a resultant wid-ening of spreads between vul-nerable corporate and non-cor-parate borrowers. However, if as discussed above, the pros-pects of giant corporate take-overs have been lessened in . the last six months, event risk fears may subside.

fears may subside. One encouraging develop-ment for ECP has been its ment for ECP has been its increased competitiveness with the much larger US market. For years, over most maturi-ties, it has been cheaper for corporate issuers with access to both markets to use the domestic market. That now appears to be changing. This may be due to what some deal-ers say is an increase in indi-rect arbitrage, via the Euro-cer-tificate of deposit market. This makes the US and ECP

This makes the US and ECP markets move more In line than in the past. (This may in part reflect a rerating on the part of US investors - allowed to buy Euro-CDS but not ECP - of US corporate risk, com-pared with that of well-capital-ised European and Japanese banks.) Because of this, grow-ing numbers of insuers have put in ...place global pro-grammes, allowing them to

grammes, allowing them to issue opportunistically either in the US or in Europe.

Stephen Fidler.

Canada wises up to the poison pill

## 16



This announcement appears as a matter of record only

## **Trans Tunisian Pipeline Company Limited**

US \$60,000,000 **Dual Currency Loan Facility** 

Arranged by

#### Amsterdam-Rotterdam Bank N.V.

**Conversion Bank** 

**Bankers Trust International Limited** 

Lead Managed by

Amsterdam-Rotterdam Bank N.V. ENI International Bank Limited

**Bankers Trust Company** Monte dei Paschi di Siena, London Branch

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Agent

Amsterdam-Rotterdam Bank N.V.

November, 1989

#### By Robert Gibbens in Montreal

IN RECENT weeks Canadian Pacific, Alcan Aluminium and Maclean Hunter, the communi-Maclean Hunter, the communi-cations group, have joined a parade of Canadian corpora-tions adopting "poison pills" to protect themselves from creep-ing takeovers and predators. Despite some heavy trading in CP and Alcan stock in recent months, which suggest outsiders are accumulating stock, predators are not

stock, predators are not thought to be seeking control of any of these companies at present, although some look very cheap on the basis of mar-ket capitalisation.

ket capitalisation. The poison pills, or share-holder rights plans as they are called, consist mainly of giving existing shareholders the right to buy new Treasury shares at discounts of 50 per cent from current market value. The Alcan and CP moves have almost institutionalised much terties coming after simi-

such tactics, coming after simi-lar plans adopted by Dominion Textiles and Dofasco, the steel

Textules and Dorasco, the steel group. But because Canadian blue chip companies' stocks have been trading at much lower price/earnings multiples than their US counterparts, some US firms may well be eyeing the Canadian scene, especially with the restructuring now under way in Canada following Canada-US free trade. The poison pills are primar-The poison pills are primar-ily defensive, to ensure that a gramme. But Alberta legisla-

By Maurice Samuelson

In the case of an unwanted bid, Alcan could immediately make a one-for-one rights issue make a one-for-one rights issue at a 50 per cent discount from market. This would be trig-gered when anyone built up a holding of more than 20 per cent of its stock without board epproval. Management can also reduce the threshold to 10 per cent la

But if any party holding 5 per cent of its stock were to make an offer to shareholders at a special meeting, and all shareholders approved, the bid could go ahead without trigger-ing the rights issue. Most of the companies adopt-

Most of the companies adopt-ing poison pills have their shares listed internationally or are substantially owned in the US, or are very widely held or suffering from a down cycle in earnings. Alcan, for example, is listed in New York and Tokyn basidae Canada

Tokyo besides Canada. Some are protected by regu-lation, such as BCE, the coun-

lation, such as BCE, the coun-try's largest conglomerate whose core business is the Bell Canada public telecommunica-tions utility. Nova, a big Western energy, petrochemicals and gas trans-mission group is often a sub-ject of takeover rumours. Its stock is selling at rock bottom because of low ethylene prices and e heavy capital pro-It may oppose the Alcan and CP plans when they come up at the annual meetings early in

bidder offers the same price to all common shareholders. In the case of an unwanted bid, Alcan could immediately Most institutions do now Most institutions do now

Dealers must also show

Since the rewards accruing

Most institutions do now accept that the poison pills will not be used primarily to prop tion. Five years ago the Caisse amassed 10 per cent of CP and demanded several boardroom np existing managements when e takeover might be in the interest of shareholders at seats. CP complained to the Trudeau Government in Ott-

Also public opinion is ahift-ing away from the federal gov-ernment's "open for business" policy enacted in 1995 with the replacement of the old Foreign Investment Review Agency by Investment Canada. The C\$340m (US\$817m) sale of Connaught BioSciences to Institut Méricur of France met awa saying this would amount to "backdoor nationalisation" to "backdoor nationalisation" of a private sector company. The Caisse hacked down and reduced its holding. CP's poison pill is double edged. It plans to spin off 30 per cent of the shares of Mara-thon Realty, its hig property subsidiary, to existing share-holders on a one-for-one basis. This is popular with institu-tions. The company believes the parts will be more valuable in ahareholder hands than the whole.

Institut Mérieux of France met strong opposition in Ontario, the richest and most populous province, on the ground that it was a "sell-out" of the largest Canadian-owned hiotechnology company to a company indi-rectly controlled by a foreign government. government.

whole, Then each CP shareholder would get the right to buy additional shares at a 50 per cent discount if a predator buys 10 per cent or more of the company. Later Marathon itself would adopt its own poi-son pill. The Caisse de Depot, the Quebec Pension Plan invest-ment firm with assets of C\$35bn, continues to oppose poison pills on principle, say-ing they are really designed to protect management indefison pill battles on the issue, including opposing Inco's poison pill and special dividend without suc-

whole.

son pill. Under e previous standstill agreemant, Power Corporation of Canada, Montreal financier Mr Paul Deamarais's holding company, can hold up to 15 per cent of CP and in some circum-stances could buy more. But this agreement runs out shortly.

**BP** drops US coal sales SE Banken signs paper By Deborah Hargreaves

> Sales have been agreed for the Australian and South Afri-SKANDINAVISKA Enskilda Banker has signed the Buro-pean portion of a \$2.5bn Euro-commercial paper programme. The US portion was signed ear-lier this year. can interests although, con-trary to its original intention, BP failed to find a single pur-chaser for the entire portfolio. The Australian assets were sold to CBA, the Australian

> The programme was arranged by Credit Suisse First Boston and dealers include Goldman Sachs, SE mining company, for A\$275m (US\$137.5m). In South Africa, where BP owns 88.5 per cent of include Goldman Sachs, SE Banken's London branch as well as CSFB. The notes in the programme may be issued in US dollars, sterling or yen. Westinghouse Credit Corp announced it filed a \$500m continuous offering of medi-am-term notes with the US Scorritizes and Erchenge Comthe Middleburg colliery, its

Securities and Exchange Com-mission. The notes, filed as a first stage of the company's

\$2.1bn shelf registration announced in November, will be marketed simultaneously in US and Europe. The new notes will be sold through Shearson Lehman Button, First Boston, Merrill Lynch and Westinghouse Secu-rities in the US with CSFB also selling the notes in Europe. AMP (UK) signed the syndi-cation of a £525m term loan facility in connection with its offer to acquire Pearl Group, the insurance company. The loan, which was arranged by Lloyds Bank Capital Markets group and Chase Investment Bank, is e three-year facility carrying a margin of 25 hads carrying a margin of 25 hauis points over Libor,

BRITISH PETROLEUM has cancelled the sale of its remaining US coal assets six months after putting them on the market as part of a worldwide divestment exercise. BP America said coal assets and operations in the US would be reorganised into an independent wholly-owned subsidiary. Earlier this month, it had been in talks with a number of leading US coal producers, including Ziegier Coal, Amax, Consolidation Coal, Massey and Ashland. Of BP's 1.9bn tonnes of coal

reserves, about 740m tonnes are in the US, compared with the 440m it held in Sonth

Africa and 570m in Australia.

partner Rand Mines exercised its right to pre-empt its pur-chase by Anglo American for R546m (US\$138.94m). In the US, assets include the Old Ben Coal Company mines in Illinois, Indiana and West Virginia, all 100 per cent BP-

in onto los grocores 😑 🗤

### UK COMPANY NEWS

By Clare Pearson

MR ROBERT DRUMMOND has

resigned as a director of Elec-

tra investment Trust just 10 months after joining the com-pany, a specialist in unquoted investments which is in the

throes of a reconstruction. Electra said Mr Drummond's

departure was "due to a dis-agreement on matters of com-

pany policy." Mr David Osborne, an Elec-tra director, declined to elabo-

rate on the announcement, which startled followers of the

## of lendy -Malaysians agree to take 32.5% stake in Unigroup

ANTAH Overseas Holdings, part of a Malaysian investment group, is taking a 32.5 per cent stake in Unigroup, a UK timber, building products and clothing company. The deal, designed to raise about £2.6m, involves the issue

of more than 9m shares in Uni-group at 39p each. Antah will have voting

rights over only 28.7 per cent, so there is no requirement for a full takeover offer to be

It is also proposed that a further 1.9m new shares, plus 5700,000 cash be given to Mr. Peter Yeoh, a Unigroup direc-tor, in lien of earn-outs due for the current year and 1990-91

As the conversion of Mr Yeoh's 2.6m preference shares into ordinary shares is being brought forward, his total hold-

Salvesen pulls

out of shipping

in £7.5m deal

Christian Salvesen,

transport and food distribution group, is withdrawing from shipping after being involved in it for more than 100 years. It is disposing of those inter-

ests for £7.5m to Jebsen Group, the Norwegian-based shipping

group. Mr Chris Masters, chief exec-utive of the Edinburgh-based company, said that it was vital

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ing is set to rise to 26.3 per the £3.6m raised from Antah cent. will be used to reduce borrow-

cent. The payments to Mr Yeoh relate to the 55.7m acquisition of his Malaysian business in June 1987. Mr Yeoh has erence dividend arrears and pave the way for payment of dividends to ordinary sharereceived £2.14m in preference shares and the new agreement will clear up deferred pay-He welcomed the cash injec-

Mr James Malthouse, Unigroup's chairman, said there was no link between Antah and Mr Yeoh.

A strong performance from the Malaysian timber operation, including the manufac-ture of doors for distribution in the UK and elsewhere, helped Unigroup to continue its recovery in the 12 months to June 30, when pre-tax profit rose to £1.2m. About £1.2m was lost in 1986-87.

group board. Mr Malthonse and another director will be Interest payments amounted to £320,000 last year and part of standing down.

By David Lascelles, Banking Editor

THE ROYAL Bank of Scotland

Group has agreed to sell 76 per cent of AT Mays, its travel agency subsidiary, to Carlson, one of the largest travel com-panies in the US.

The Royal bought AT Mays only two years ago. But Mr Charles Winter, the group chief executive, said that regulatory complexities had made it hard

to cross-sell financial services,

travel agency for £15m

DWYEE, the property investment and dealing com-pany, reported a 55 per cent increase from £2.1m to £3.24m ings. Mr Malthouse said it would also eliminate the £920,000 prefin pre-tax profits in the year to

eptember 30. Mr Desmond Bloom, chair man, told shareholders that net assets had increased from E31m to £48.4m, equal to 279p per share, a 15 per cent increase on the 244p of a year tion from Antah, which is listed on the Kuala Lumpur stock exchange and made a pre-tax profit of £17.8m on sales of £202m in the 12 months to March 31. Tunku Imran. earlier.

55% rise

profits

puts Dwyer

over £3.2m

Mr Bloom said that while he remained committed to the stated aim of developing a sub-Antah's chief executive, said Tunkn Imran will become non-executive chairman of Unistantial property group, the criteria for going forward remained the enhancement of assets and earnings per share. He said that the company group and Antah is appointing two other directors to the Uniwas very well secured with a low level of borrowings, and a rent roll that would exceed the finance and overhead costs even with the current high level of interest rates. **Royal Bank sells 76% of** 

Dealing profits rose from £1.49m to £3.57m and net rents from £2.35m to £4.52m and gross profit emerged at £8.09m (£3.85m). Administrative expenses almost doubled at £1.05m (£552,000) and net interest payable surged from £1.2m to £3.8m. Turnover

being acquired at £15m, com-pared with a total acquisition price of £18.6m. The Royal will higher at 13.01p (13p), reflecting the £12.77m prefer-ence rights issue in May. also receive a £2.3m dividend from Mays and retain non-travel assets worth £1.1m.

#### The Royal will retain its remaining interest for at least Carlson, one of the largest privately-owned companies in the US, said the acquisition Local London would allow it to develop its business in the fast-growing will hold back **Priest Marians**

#### took an equity stake in the new management company, company in the City. Mr Drunmond was recruited Electra Kingsway Partners. early this year from County NatWest, where he was a direc-tor and managing director of County NetWest Ventures. Mr Osborne said the recon struction was proceeding "pre-cisely as planned." Nearly 2500m had now been raised towards the new fund, Electra He was appointed vice chair-man of Electra's manage-ment company, with responsi-bility for defining and carry-Private Equity Partners,

**Director resigns from** 

ing out new unlisted invest-

Mr Osborne said Mr Drum-

mond's departure was uncon-

nected with the restructure currently underway at Electra,

involving the creation of a new

fund providing finance for

European management bny-outs and other unquoted ven-tures, and plans to float Elec-

tra's management company on the stock market.

As a director, Mr Drummond

**Electra Investment** 

against a target of £550m announced in August.

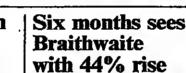
## Quiligotti confident after 12% increase in first half

THE OUTLOOK for the current year at Quiligotti, maker of ter-razzo floor tiles, looked promis-ing said Mr John Riordan, Ancillary activities in indus trial flooring and natural stone products also performed well. The fire surround business had suffered in line with the downchairman, in his statement turn in the domestic building accompanying the interim results. market.

Current trading was satisfac-tory, he said, and the board's confidence was demonstrated Barnings in the period worked through at 2.72p (2.71p). The dividend is payable by an increase in the interim dividend from 0.66p to 0.76p. on February 2. The chairman revealed that In the six months ended Septhe group was reviewing a

tember 30 1989 the group increased turnover 19 per cent, from £8.96m to £10.62m, and pre-tax profit 12 per cent, from £1.08m to £1.2m. number of acquisition opportu-nities, but stressed the

Mr Riordan said since the sectors in the UK." Initial expectations of the marketing venture set up in Ireland were being fulfilled and the outlook was encouraging. group's launch on the USM last March it had further developed Its position as the market leader m terrazzo in the UK.



approach "was cautious in view of the slowdown in a number of construction related

Braithwaite, the restructured industrial services group, and now controlled by Mrs Bilge Nevzat, sister of Mr Asil Nadir of Polly Peck, returned profits of £43,000 pre-tax for the 17 months to October 31. returned profits of £2.62m pr tax for the six months ended September 30, an improvement of 44 per cent over last time's £1.82n

That compared with £487,275 The figure was struck after taking account of a £1.04m rise in interest charges to £1.69m. Turnover pushed ahead from £24.5m to £33.22m and earnings for the year to May 31 1988. Mrs Nevzat said the fall reflected the start-up costs associated with establishing emerged 2.7p higher at 9.6p. Turnover for the 17 months totalled £11.28m (£2.55m for The interim dividend is

being lifted from 1p to L4p, partly to reduce disparity with the final. Although the second half period). Earnings emerged at



The Financial Times proposes to publish this survey on:

> Monday, 8th January, 1990

Industrial Sectors

Separate articles will be written examining prospects in the year ahead in the following industrial sectors:

Computers, electronics and telecommunications Chemicals and pharmaceuticals; Industrial equipment; Steel (or metals); Aerospace: Motor Industry (including components): Energy - coal, oil and gas: Textiles and clothing: Food and drink: Pulp and Paper:

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### **BRIAN HERON Regional Manager**

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YAMAICHI ADVANCED TECHNOLOGY FUND NOTICE TO SHAREHOLDERS

The shares certificates of the Societé Anonyme of Investigement will be mpod from 15th January, 1990, at the offices of the Custodiau (Banque

#### that the company concentrated on activities where it had a competitive edge which could for example life insurance, through the Mays branch netbe aggressively developed. The interests include three work. The trend in the travel busigeneral cargo vessels of which one is on charter to the CEGB. It also manages three colliers on behalf of the CEGB. ness was also towards greater concentration into a smaller number of large companies. However, by retaining an

#### COMPANY NEWS IN BRIEF

The following changes in company share stakes have been announced recently:

**AB Electronic Products Group:** Scottish Amicable Investment Managers has acquired 140,900 ordinary, lifting its hold-ing to 2.12m (8.36 per

Airflow Streamlines: JTA Smith and BW. Sutherland have acquired 5,000 ordinary at £2.22, raising the hold-ing to 945,520 (11.07 per

cent). Aitken Hume International: PJ - cent). ordinary at 53p per share, increasing the stake to 4.74m

clients whose portfolios are managed on a discretionary Anglo-Eastern Plantations: Govett Oriental has acquired

200,000 ordinary, increasing the holding to 1.2m (5.45 per cent). The shares are registered in the name of Midland Bank (Princess Street) Nomi-

Apricot Computers: Singer & Friedlander Group, its subsid-iaries and their portfolio customers are interested in 15.12m., ordinary (16.36 per

Bachmann has acquired 200,000; Audit: & General: Swan Management Services, in which Mr Harvey Selby, A&G chairman and chief executive, has a ben-eficial interest, has bought 65,000 ordinary at 34%p and 8,400 at 340. How holds 20.24m ordin-ary stock units (5.61 per 8,400 at 34p. Avesco: following the acquisicent) British Mohair Holdings: Lawrie Group has acquired tion of 30,000 ordinary from Mr John Hinchliffe, a director, Mr 110,000 ordinary, raising its holding to 3.72m (28.02 per Richard Murray, chairman, now has a beneficial interest in 7.91m and Mr Hinchliffe has an cent). Business Technology: Coninterest in 36,703. corde Corporation (formerly Berrytex Investment Company) Bardsey: Beckenham Gronp has bought 25,000 ordinary and now has 525,000 (2.3 per has acquired 118,500 shares. It now has a total 3.44m (23.11 per ordinary (5.55 per cent). The cent). shares are held on behalf of Berisford International: LJ cent).

This advantisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Landted. Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the whole of the issued share capital of the Councal of The Stock Securities Market. It is emphasized that no application has been made for the Ordinary Shares to be admitted to listing Conditionally on such permission being granted 20,000,000 Ordinary Shares of ICp each of the Company have been placed by Beeson Gregory Limited and Matheson Securities Limited.

UK market. Goodman has acquired 9.68m ordinary, lifting the hold-

five years.

ing to 57.69m (11.8 per cent). Bestwood: JH Furlong, a director, has acquired 72,530 ordi-nary, increasing the hold-ing to 2.98m (8.21 per

Bexbuild Developments: Mr Tom Tutton, a director, has bought 2,500 shares at 103p per

share. BMSS: Royal Life Investment Division is the beneficial holder of .383,000 ordinary. (5.25 per cent). The shares are allocated to the Royal Insurance

'B' account. British & Commonwealth

### equity interest in Mays, he said the Royal group would still be able to channel travel-related expanded from £13.98m to £28.37m. services through its branches. The deal values the stake After tax of £1.35m (£707,000) fully diluted earn-ings were just marginally

A 33 per cent increase in the total dividend to 4p (3p) is pro-posed via a final of 2.5p.

### **Noble Raredon** The acquisition of Local London Group by Priest Mari-ans, has "not proved a success affected by

new business

tion: Industrials).

(Industrials).

and will result in a substantial start-up costs loss", the property company's chairman, Mr David Anerbach, Noble Raredon, formerly told shareholders at the known as Gnome Photographic

told shareholders at the annual general meeting. He added that a string of property sales, designed to reduce gearing, had not prog-ressed as anticipated last autumn and that "these has been an adverse effect on the each flow of the group "

cash flow of the group." However, he suggested that the Langham Estate's value should show a significant increase over the last year, when Priest Marians accounts are published early in 1990, Priest Marians shares fell 9p

to 340p ahead of the Christmas

registered in the name of Rus-NO Alba: Mrs Jacqueline Harris is

now interested in 80,000 ordinary. Mr John Harris, chairman, is interested in these shares following his mar-riage, lifting his beneficial interest to 8.58m (23.2 per cent).

Amec: Morgan Grenfell Group and its subsidiaries have a notifiable interest in 3.88m

Vista expands

For a consideration of £2.25m, Vista Entertainments is buying Victoria's, the nightclub and disco complex in Glasgow which was an auction room until last August. The consideration will be

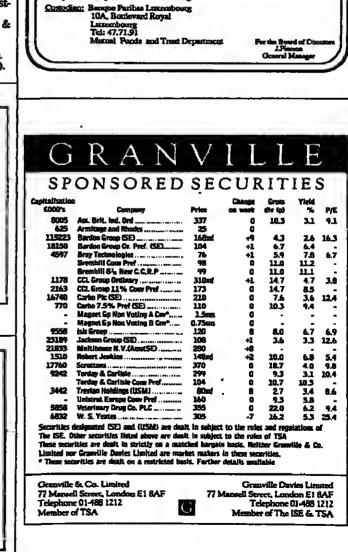
met by £1.9m cash and the issue of 4.66m Vista shares, and the deal is subject to shareholders' approval.

0.22p (2.1p). In view of the reduced profits a nominal dividend of 0.1p (1.33p) is recom- started slowly business was mended. Current trading was described as satisfactory. now reaching more acceptable levels.

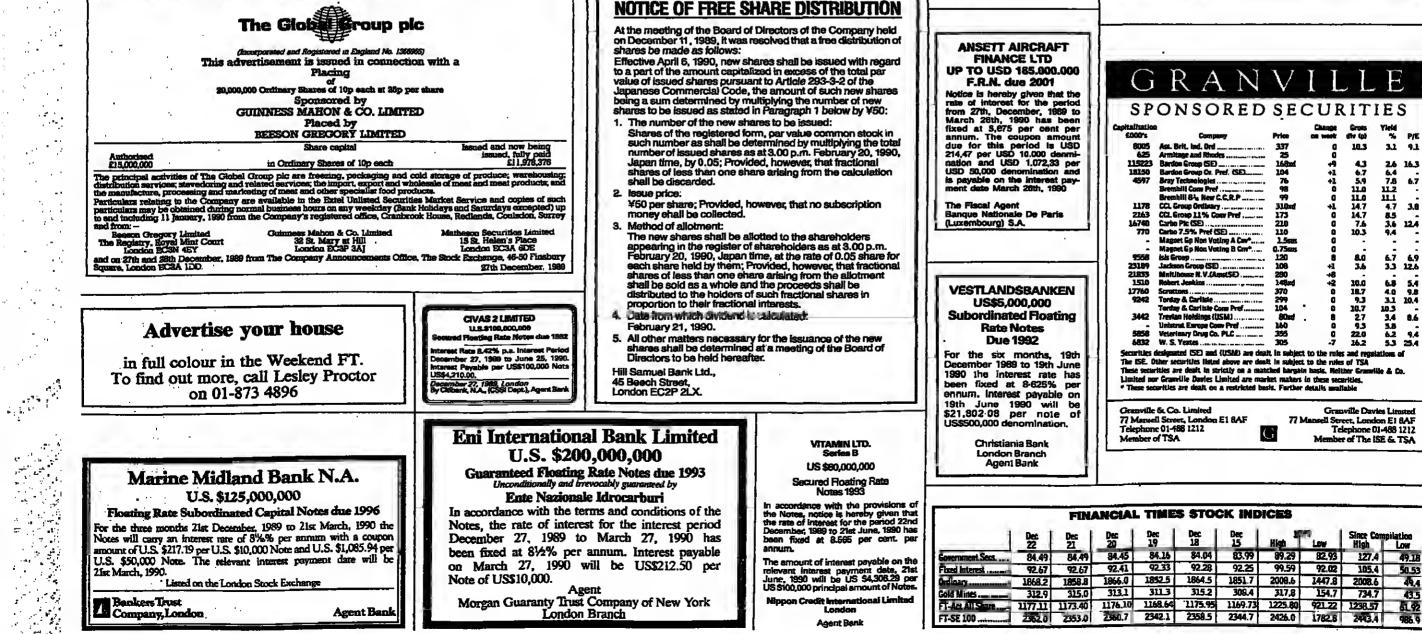
#### FT SHARE SERVICE

The following securities have been added to the Share Infor-Cnv. Cap. Bond. (Transport). Europa Minerals Warrants (Mines Miscellaneous). Hays (Industrials). mation Service: BTR Warrants 1993/94 (Sec-British Aerospace 7.75p (Net) Cum. Conv. Red. Pref. Cnv. Cum. Pfd. (Leisure). Malaysian Emerging Cos. Fund (US\$0.01 shs & War-British Airways Cap. 94 pc rants) (Trusts, Finance, Land). Mediterranean Fund (Invest-Gas). JUSCO CO. LTD. Pendragon (Motors). Regal Hotel Group (Hotels). Stewart & Wight (Property).

The Shancholders of the Société Anonyme d'Investissement "Yamaichi Idvanced Technology Fund" convened in an Extraordinary General Meeting on 16th April, 1989 have decided to change the form of the Société Anonymo Ilovestissement into a Société d'Investissement à Capital Variable. LWT (Holdings) 3.9375p Panibas Laucen From the 16th February, 1990, only stamped certificates will be accepted on the Luncenbourg Stock Exchange, however, certificates will continue to be stamped at Banque Paribas Lunembourg. nent Trusts). Pan Pacific Petroleum (Oil &



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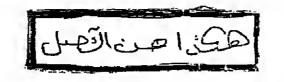
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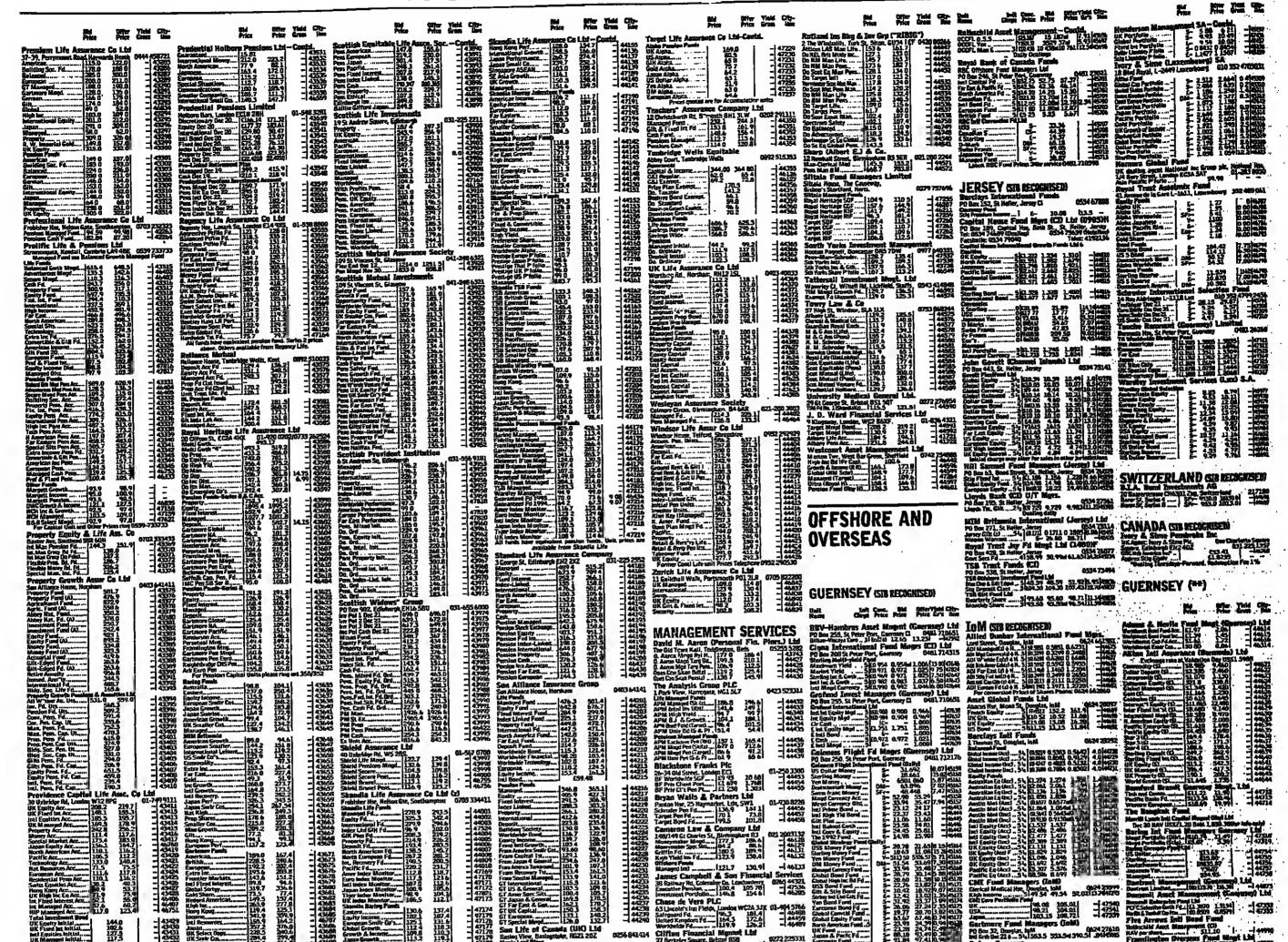
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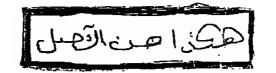
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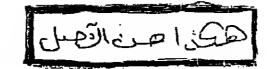
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## CURRENCIES, MONEY AND CAPITAL MARKETS

#### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

DOLLAR MORE NATIONAL AND REGIONAL MARKETS THURSDAY DECEMBER 21 1989 FRIDAY DECEMBER 22 1900 US Dollar Indez Local Currency Index Figures in parentheses show number of stocks per grouping Dey's Change % Pound Sterling Index Local Currency Index Day's change % local currency Gross Div. Yield US Dollar Index Pound Sterting Index 1989 Högb 1989 Low  $\begin{array}{c} 126.26\\ 92.84\\ 126.68\\ 1124.67\\ 125.68\\ 118.53\\ 112.57\\ 125.68\\ 118.53\\ 112.57\\ 125.68\\ 112.57\\ 125.68\\ 112.57\\ 125.68\\ 124.55\\ 144.54\\ 159.62\\ 112.68\\$ 160.41 172.222 152.237.066 153.67 1153.67 116.74 140.33 200.11 179.42 326.61 140.57 200.11 140.57 326.61 140.55 88.16 159.54 190.54 190.54 190.54 190.54 190.54 190.54 190.55 177.06 88.16 190.54 190.55 177.05 88.16 190.54 190.55 177.05 88.16 190.55 177.05 88.16 190.55 177.05 88.16 190.55 177.05 88.16 190.55 177.05 190.55 177.05 190.55 177.05 100.57 10 137.57 154.79 137.70 138.73 213.72 121.42 139.28 105.67 182.60 178.53 207.21 226.03 127.86 65.39 178.03 162.53 177.45 150.45 170.82 152.94 150.95 234.71 153.57 153.57 116.74 120.82 176.26 96.89 194.12 228.72 323.12 140.68 71.95 712.95 177.04 5.355 1.80 4.11 3.17 1.48 2.465 2.03 4.71 2.665 2.23 4.71 2.468 2.23 0.48 2.23 0.48 2.23 0.55 5.57 1.93 2.450 126,48 161,32 113,55 113,55 113,55 113,55 113,55 113,55 113,55 113,55 113,55 113,55 113,55 113,55 113,55 113,55 113,55 113,55 127,08 125,28 125,28 212,53 114,08 121,05 123,58 121,05 123,58 123,58 125,58 12 148,82 168,35 149,77 150,89 232,45 132,06 131,49 232,45 132,06 131,09 14,93 194,17 225,36 311,09 139,47 194,17 225,36 311,09 194,17 225,36 194,17 215,36 194,17 215,36 194,17 215,36 194,17 215,36 194,17 215,36 196,47 196,47 196,47 196,47 196,47 196,47 196,47 197 Australia (85). 137.60 156.32 139.88 214.67 120.52 140.46 106.77 110.50 163.65 205.13 128.88 65.81 176.48 161.62 .29 .72 .90 138.80 181.96 194.72 170.37 148.06 127.29 140.05 169.94 159.46 158.84 140.89 125,18 159,08 172,15 153,37 135,76 114,94 119,85 169,72 146,89 148,17 133,70

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## **MONEY MARKETS D-Mark likely to** rise against dollar

TRADING INEVITABLY wound down last week ahead of the Christmas holiday, but the immediate prospects suggested a strengthening of the D-Mark against the dollar.

24

Belgium Denmark Iteland W. Germ

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#### UK clearing bank base leading rate 15 per cent from October 5

West German interest rates are underpinned hy the inflationary implications of events in eastern Europe and speculation about a possible reunification of Germany. reunification of Germany. Caution is likely to increase after the recent fast moves towards democratisation, but even if there is no reunification the more liberal regime in the east means that visitors to West Germany will increase, hringing higher inflation. This will support the

Dec.26

8.30 9.00 10.00 11.00 1.00 2.00 3.00 4.00

Dec.22

the inflationary implications of higher West German wage demands and is unlikely to allow interest rates to fall. This contrasts with the situation regarding the dollar. Eurodollar interest rates from

Eurodollar interest rates from six months onwards are already below the equivalent Euro D-Mark rates, and according to recent signals from the Federal Reserve the trend in US rates appears to be downwards. The Fed's action on the New York money market last Wednesday was taken as an indication that the target for Fed funds had been cut by % per cent to 8% per cent. A reduction in bank prime rates and possibly the Fed's discount rate may follow.

#### **£ IN NEW YORK** CURRENCY HOVENEN Exact of England Index Close Costra Costra Change Latest, Dec.22 1.6240-1.6250 0.89-0.07pm 2.52-2.47pm 9.00-8.90pm Hy to the US dollar .6230-1.6250 0.84-0.83pm 2.39-2.36pm 8.38-8.28pm Sterling U.S. Doltar Canadian Dolla Austrian Schill Beigkan Franz Janish Kome 86.9 67.4 105.1 110.0 104.4 108.4 119.0 106.6 114.6 105.1 99.6 132.0 222222222222 Danish Krone . Dentsche Mark Suks Franc ... Golider ..... French Franc ... Linn ...... Yest ..... STERLING INDEX Dec 22 Previous Morgan Gliaranty changes: 1982–100, Bank of England Inth 1985–1009\*\*Rates are forDec.21. 87.0 86.8 86.9 86.8 86.5 86.5 86.5 86.5 86.5 86.5 86.9 86.9 86.9 86.9 OTHER CURRENCIES Dec. 22 \$ 995.00 - 100 1.2695 - 1.22 9.5110 - 9.58 4.0525 - 4.06 157.95 - 160 7.8030 - 7.80 70.30 673.90 - 679 229600 - 0.29 35.80 - 75.9 1608.40 · 1625.60 2.0545 • 2.0570 5.4230 - 15.5105 6.5610 • 6.6015 254.35 • 258.85 2.6310 • 12.6515 113.407 Argentina . Australia . Brazil ..... Finland ..... Greece ..... Hong Korg . fram ...... CURRENCY RATES 1100.75 Kovati Kuvati Lutenboury Malaysis Mento N. Zsatand Saudi Ar. Singtoure S. At Chai Tahwan U.A.E. Eoropean † Currency Unit, Al-0, 740.74 35-58.15 35-4.3775 45-4332.25 40-2.7360 45-6.4105 45-6.4105 45-6.4105 45-4.1515 700-5.8760 115-42.25 195-5.9245 2,5900-02,7 35,80-35,9 2,6940-2,70 2670,00-268 1,6745-1,65 3,7500-3,75 1,9050-1,91 2,5525-2,56 3,5840-3,64 26,20-26,2 3,6710-3,64 Special\* Drawing Rights rate % 1.36550 1.18381 1.37263 14.2993 42.6824 7.90375 2.03024 2.29269 6.93359 1517.06 169.818 1.23395 1.30998 1.51456 15.9129 47.4078 8.79100 2.25931 2.55189 7.71700 1686.59 187.656 746 1915000 1915 Sterling #..... U.S. Doltar ..... Canadian S.,... Belgian Franc. Denische Mark dieth. Guilder... French Franc... Italian Lira..... banamer Yen Selling rate

D-Mark, while the potential for Germany from moves to upgrade industrial efficiency in the east is another plus factor. The Bundeshank is also known to be concerned about the inflationery implicitions of

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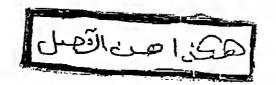
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PERSONAL PENSIONS The Financial Times proposes to publish this survey on:	Treasury Bills (sell); and name 143; per cent; three months 144; per cent; Bark Sills (sell); me-month 144; per cent; three months 144; per cent; Treasury Bills Amersys tender rate of discount 144.4838 per cent; three months 164; per cent; Treasury Bills Amersys tender rate of discount 144.4838 per cent; three months 164; per cent; Treasury Bills Amersys tender rate of scheme 14.4838 per cent; three monther, 20 1999 to Jamary 23, 1990; Scheme 1: 15.87 p.c., Scheme 16 at III: 16.43 p.c. Reference rate for period Nor., 1999; to November, 20, 1989; Scheme IV&V 15.148 p.c. Local Authority and Finance Houses when days molec, others seven days fined. Finance Houses Base Rate 154; from December 1, 1999; Bark Deposit Rates for sams at saves days wollce 4 per cent. Could cate of Tax Deposit, Ceries 60; Deposit Rates for sams at saves days molec 4 per cent. Could cate of Tax Deposit, Ceries 60; Deposit, Rates for sent; size-the month 113; per cent; and-three months 13 per cent; Under \$100,000 113; per cent from Get 9, 1969; Deposits withdrawn for cash 5 per cent.	LONDON RECENT ISSUES EQUITTIES Isse Arris Latest 1999 State Cartes tor Net There Grad P/E Pair Reset 1999 State Office of The Card The Card State	JOTTER PAD	
20TH JANUARY 1990 For a full editorial synopsis and advertisement details, please contact: RICHARD BECCLE	BANK OF ENGLAND TREASURY BILL TENDER 0x.22 0x.15 Dr.22 0x.15 005.22 0x.15 Dr.22 0x.15 005.20 Dr.25 Dr.25 Dr.25 005.00 Dr.25 Dr.25 Dr.25 005.00 Antrager rise of dr.201 Dr.25 Dr.25 0.000 Antrager rise of dr.201 Dr.25 0.000 Antrager rise of dr.25 0.000 Antra	40         Matter         100         98         Alstruct Rive Thal Ive	CROSSWORD No.7,123 Set by DANTE	
on 01-873 4181 or write to him at: Number One Southwark Bridge London SE1 9HL FINANCIAL TIMES	UCRIDER         Dec.22         change           Base rates         15         Dec/4         Product Funds         Dify         Start 4           7 day instrumet         15         Dec/4         Product Funds         Dify         Unstit 4           3 - a         3 fills         15         Dec/4         Product Funds         Dify         Unstit 4           3 - a         3 fills         15         Dec/4         Product Funds         Tab         Start 4         Dify         Unstit 4           3 - a         15 fills         143         Dec/4         Start 7         Tab         Unstit 4         Dec/2         Dec/2         Dec/4         Dec/4         Dec/4         Start 7         Tab         Dec/14         Dec/4	9130         P.P.         136         Thrd Earth Tibe 100         131         PL87         2.2         5.0         10.7           -		
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U.S. \$250,000,000 Collateralized Floating Rate Notes due 1991 For the six month period 21st December, 1989 to 21st June, 1990 the Notes will carry an Interest Rate of 8.75% per annum with an interest amount of U.S. \$4.423.61 per U.S. \$100,000 Note and U.S. \$11,059.03 per U.S. \$250,000 Note payable on 21st June, 1990.	Nur	FIXED INTEREST STOCKS           Bar         Amount         Latest         1989         Sack         Dialog         Price         Price <th< td=""><td>ACROSS 1 Congenial address for a ship's captain? (3,3) 4 Quarrel has bearing on the Franch (6) 8 Faults and defaults (7) 8 Gyrated helplessly into disaster (7) 11 A load of energy (4,2,4) 12 The sound of a pig in agree- able sumoundings (4) 1 Congenial address for a ship's captain? (3,3) 4 Quarrel has bearing on the Franch (6) 5 Faults and defaults (7) 6 Gyrated helplessly into disaster (7) 11 A load of energy (4,2,4) 12 The sound of a pig in agree- able sumoundings (4) 13 Craftsman is one among the craftier sort (9) 14 Alow an underwriter might 5 April in Paris (5) 15 Congenial address for a 16 Gyrated helplessly into 17 Alogi of energy (4,2,4) 18 Gyrated helpless for a 19 Craftsman is one among the craftier sort (9) 19 Craftsman is one among the craftier sort (2) 19 Craftsman work? (4,3)</td></th<>	ACROSS 1 Congenial address for a ship's captain? (3,3) 4 Quarrel has bearing on the Franch (6) 8 Faults and defaults (7) 8 Gyrated helplessly into disaster (7) 11 A load of energy (4,2,4) 12 The sound of a pig in agree- able sumoundings (4) 1 Congenial address for a ship's captain? (3,3) 4 Quarrel has bearing on the Franch (6) 5 Faults and defaults (7) 6 Gyrated helplessly into disaster (7) 11 A load of energy (4,2,4) 12 The sound of a pig in agree- able sumoundings (4) 13 Craftsman is one among the craftier sort (9) 14 Alow an underwriter might 5 April in Paris (5) 15 Congenial address for a 16 Gyrated helplessly into 17 Alogi of energy (4,2,4) 18 Gyrated helpless for a 19 Craftsman is one among the craftier sort (9) 19 Craftsman is one among the craftier sort (2) 19 Craftsman work? (4,3)	
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## WORLD STOCK MARKETS

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FINANCIAL TIMES WEDNESDAY DECEMBER 27 1989

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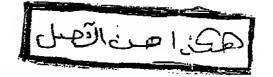
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FINANCIAL TIMES WEDNESDAY DECEMBER 27 1989

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## **FINANCIAL TIMES**

Wednesday December 27 1989

## AMERICA Dow stagnates as signs of higher inflation hit bonds

#### Wall Street

28

**EXTREMELY** slow trading left nost equities virtnally unchanged on Wall Street yes-terday in spite of a big drop in hond prices, *writes Anatole Kaletsky in New York*.

WORLD STOCK MARKETS

With many investors still away on their Christmas holidays, equity prices drifted within a narrow range, maintaining most of the unexpected gains recorded late on Friday when the Dow Jones Industrial Average had jumped by 20.26 points.

Yesterday, the Dow closed 2.14 down at 2,709.25 on very low volume of 78m shares. The market's lack of direction was revealed by the figures for the number of advances and declines, which were fairly evenly balanced with 695 issues up and 676 down. Trading was more decisive on Sunday.

in the bond market, where early losses were extended

before Christmas.

tion.

Corporation is negotiating to

huy between 10 and 20 per cent

of Cable and Wireless's Hong-kong Telecommunications, for

up to HK\$10bn, brought festive

cheer to a market which had been struggling bravely to show some cause for celebra-

Now, the news could help boost trading in the traditional rally period running up to Chi-nese New Year at the end of next month, when the trouble-some Year of the Snake gives

way to the more bland Year of

the Horse. The proposed share purchase

explosion, hnt most other throughout the day, so that the energy stocks were little changed. Airlines retreated in Treasury's benchmark long bond closed at 1014, 1 down on the day. The bond yielded response to the higher oil prices, with AMR down \$1 at \$59. UAL was an exception to 7.98 per cent at this price. Fed-eral Reserve Funds traded at this general trend, showing a between 8% and 8½ per cent. The bond market's gloom semed to reflect a combina-

gain of \$6% to \$169% as hopes persisted of a restructuring or buy-out. tion of factors, including the The day's most active tradsharp fall of the dollar in Tokyo trading over the weeking was in Bank of New England, down \$% at \$7% after it suspended its dividend on end and weather-related por-tents of higher inflation from the commodity markets. Retailers mostly did well in These included a limit-up

Recallers mostly did well in response to press reports that Christmas sales receipts were up by between 4 and 5 per cent over last year. Sears advanced \$% to \$37% and May Depart-ment Stores rose \$% to \$45%. Blue chips generally showed few changes. IBM fell \$1 to \$94% while General Motors advanced \$% to \$42%. surge in orange juice futures, as well as further big price gains in crude oil and heating oil. The jump in orange juice futures was in response to frigid weather in Florida over

the weekend. Oil prices climbed not only because of the weather, but also in reaction to an explosion at the advanced \$% to \$42%. Consumer growth stocks fell back, with Coca-Cola losing \$% Exxon refinery at Baton Rouge

In the stock market, Exxon lost \$% to \$50% on news of the to \$75% and Philip Morris off China brings Hong Kong

T IS a world of make helieve, where money grows on trees, dreams become reality, a Disneyland for adults." This is how Mr Mark Ritchie, a long-time trader who heads Chicago Research & Trading, describes the city's futures exchanges in his autobiography, God in the Pits

Futures trading, with its fast hitting image, has turned Chicago, its birthplace, into a mecca for speculators eager to make a fast bnck.

But the city'e futures exchanges have just completed a year of battling controversy on all fronts. If allegations by federal prosecutors turn out to be true, the spires of Chicago's Magic Kingdom have long been riddled with dry rot.

The "feds" recently indicted two more futures traders on charges of fraud and trading abuse after a two-year undercover probe into malpractice in the world's largest futures exchanges. The trials of 46 traders charged in the

of 46 traders charged in the summer are soon to start. The FBI probe has tarred Chicago's markets with the brush of fraud as prosecutors' allegations paint a picture of futures schemes bent on cheating hundreds of customers out of their nervous profits. As the wolves bay for reform in the windy city, Chicago's esoteric way of trading is under siege. The indictments, which pros-

ecutors are adding to as part of a continuing investigation, list a whole range of ways traders are alleged to have kept cus-tomer orders from the open market - a cardinal sin in commoditiee trading. Some brokers filled customer orders privately, the charges allege, others pre-arranged trades, completed trades after the market'e close and traded ahead of large customer orders they knew would sway the market. Many of the allegations involve traders scratching out

prices on their record cards in a bid to boost their profit on a completed trade. This is easily grain farmers to sell their prod-

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Tom Donovan (right, with Karsten Mahlmann, CBT chairman): "The open outcry system is proven to be the best in the world"

trading started, but today it eppears colourfully anachro-nistic.

The value of honour on which open outcry is based has changed a lot since the system was born. Many veteran trad-ers view with despair the fast and furious methods of their younger colleagues. In an atmosphere alive with

In an atmosphere alive with ambition, aggression and ava-rice, Chicago's 5,000 futures traders yell ont their trades to fellow brokers, gesticulating wildly and crushed into trad-ing pits not much bigger than avargas.ized living troms average-sized living rooms.

Brokers hnstle to win a profit on commissions that have heen undercut, amid fierce competition, to over a dollar a trade. Most of these independent brokers spend their time filling hundreds of small trades. But one simple mistake can wipe out an order profit within seconds as all traders are forced to pay for any mismatched or "outtrades" at the end of the day. As the exchanges struggle to harnees the polymorphous monster they have created, it grows ever bigger, volume at the Chicago Mercantile Exchange this year was almost a third higher than last year's

78m contracts. Users of the futures markets are not naive. Although the probe has broken the tacit agreement between customer and broker that the

COUNTRY

first put in to track dual trad-In a bid to grasp the initia-tive, the exchanges have announced their own efforts to clean up their act. They are instituting tighter policing meaaures which were suggested by industry regulators years ago hut overlooked by exchange hierarchiles intoxi-cated with rapid growth. Tighter oversight of the

industry is inevitable as the House and Senate debate a

wide-ranging and complex market reform Bill that is expected to become law early

next year. The Bill will beef up the surveillance powers of the industry regulator, the Com-

modify Futures Trading Com-mission (CFTC), but threatens to remove its jealously-guarded jurisdiction over stock index

As part of the debate on pro-gramme trading that was resuscitated by the "mini-crash" of October 18, futures markets have come in for a further round of finger-point-ing (Discop has been forced to

ing. Chicago has been forced to defend the strategy against a bulk of hostile opinion since the New York Stock Exchange imposed wide restrictions on

emergency in the exchange's soyabean futures contract.

Farmers are now suing CBT directors, claiming that they illegally manipulated prices for

number of users as brokers sat

on exchange boards. The sacrificial lamb of the

FAI probe appears to be the practice of dual trading which is widespread in the futures

industry. The CFTC has now said it will ban the practice in

a hid to show its teeth as a regulator. Congress had

ster trading abuse.

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the practice.

ing and are now useful surveil. lance tools. But the CFTC believes that some trading abuses are almost impossible to spot, even with the

improved audit procedure. By far the most significant step Chicago has taken in a bid to restore its market integrily is a rare joint initiative by the is a rare joint initiative by the city's two exchanges. The CST and CME have earmarked the to develop a system of hand-held computer terminals, which will enable traders to punch in trades as soon as they occur rather than writing them down in range? them down in pencil.

E the automated data input as a way to marry the computer with open outry in a bid to preserve their archaic cystem of trading, archaic eystem of trading, "The open ontery system is proven to be the best in the world and this will make it more efficient by providing the confidence people need," believes Mr. Tom Donovan, CBT president. The move towards hand-held terminals comes as both

terminals comes as both exchanges are working to develop a computer system for trading on screen when Chi-cago'e floors are closed. It takes Chicago one step further towards moving on-screen altogether.

the practice. Congress is intent on busting open the image of Chicago's exchanges as private clubs and is pushing for more outside participation on exchange boards. Many users would agree. In July, the Chicago Board of Trade declared an emergency in the exchange's "We've passed the stage of trying to improve this 1930s style of trading and we have to think of alternative methods. to be more creative in our ways of trading," says Mr Tom Russo, a prominent com-modities lawyer at Cadwaladar, Wickersham and Taft in New their own benefit and that of clients. It would help to dispel fears such as these if an equal York, who was also counsel to the CFTC

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Screen trading would pro-vide a more accurate audit. trail with the advantages of on-line clearing and settling trades. It would further eliminate out-trades - often costly mistakes that traders resent having to pay for. However, it could throw up additional over-sight problems such as com-puter security. planned to restrict the practice until exchange audit trails could be improved.

Computer trading has not been an unqualified success when tried elsewhere in the futures industry. But with the unparalleled resources and liquidity in Chicago, the exchanges should be able to come up with a viable system. However romantic and colour-ful it may be, the days of open Exchange audit trails were outcry may be numbered.

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some end-of-year cheer John Elliott on a change of pattern in the market 12.5 per cent of Cathay Pacific Airways, recently bought 26 per cent of the fledgling A T THE END of a year in which China had brought only bad news Dragonair Airlines and is now negotiating to enlarge that stake so that it has a signifito Hong Kong's nervous stock market, the pattern changed with a Chinese initiative just cant voice in the colony's avia-tion business. It already has a stake, bought from Cable and The announcement that the Peking-controlled China International Trust and Investment

#### Hong Kong Hang Seng Index

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Dec minority shareholder.

ering other purchases. Hong Kong'e stock market is highly sensitive to China and has had little to cheer about

On the stock market, compa-nies are continuing to cash in their low share values. Price earnings multiples are about 10, which is about half the ratings of other regional markets. Companies are therefore buy-ing their own shares in a process known locally as privatisation. The latest candidates include the Lan hrothers' Evergo Investments and the Shun Ho Investment property company, A market boost is likely

Purves, the chairman, revealed hidden reserves.

about whether the bank is to enlarge its stake in the UK's Midland Bank, in which it is a

Politically, the colony is slowly emerging from the gloom of the summer, although a tough line to be adopted in

done in the helter skelter of the futures pits, where the only transaction records are cards filled in with pencil. In fact, the structure of the futures markets and their arcane trading methods makes them vulnerable to cheating. Open ontery may have been an effective way for a handful of



Chicago's Magic Kingdom cleans up its act

Deborah Hargreaves on changes taking place in the world's biggest futures markets

market user will be cheated now and again, customers have not shied away from futures.

My customers overseas are more concerned about the overall price protection they get from the markets than the guarter of a cent they will be ripped off here and there... they have incorpo-rated that into the cost of

doing business." says Mr Dan Markey, president of Agri Analysis in Chicago, who advises users in Australia and the Philippines.

O ne customer complaint, however, from giant Ill-inois grain processor, Archer Daniels Midland, is believed to have triggered the FBI probe in the first place. Although ADM will not comment on the probe, the com-pany's futures wing trained some of the FBT's undercover men to pose as traders.

In an era of global competi-tion, fraud is a tax on the cus-tomer and as Chicago fights to hold on to its lead in the world industry, its markets should be as efficient as possible.

Dual trading allows brokers to trade for themselves and customers at the same time, It is this efficiency that Chi-cago's futures exchanges underline in their bid to conwith the inevitable conflicts of vince Congressmen not to get carried away with regulation. interest that creates. However, exchanges argue that the prac-tice is a means of providing They fear that overburden-some rules could force husiliquidity and does not of itself ness to competing markets overseas.

FT GUIDE TO WORLD CURRENCIES

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The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday December 22,1989. In some cases the rate is nominal. Market rates are the average of buying and setting rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

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by CITIC'e Hong Kong offshoot was announced after trading hours last Thursday. The next day, before closing for Christ-2000 Jan 1989 mas, the Hang Seng Index rose by 53.33 to 2,921.02 and broke through the symbolic 2,900 barwhich returns to China in 1999. It is also believed to be consid-

rier in the process. That is the highest level since the June crisis in China hrought the index tumbling 15 to a low of 2,093.61 on June 5. Brokers saw the proposed purchase of a significant stake in one of Hong Kong's leading utilities as an important statement by Peking of faith and commitment to the colony's economic future in advance of the 1997 return to Chinese sov-ereignty. They largely ignored the alternative interpretation: that Peking is gradually buy-ing its way into positions of influence or control of significant parts of the colony's econ-omy well before 1997. CITIC, which already owns vears.

Wireless, in the telecommuni-cations company of Macao, the nearby Portungese enclave

within a few months, with news from the Hongkong and Shanghai Banking Corpora-tion. The shares have been extremely active for the past three months since Mr William that he was considering pub-lishing the bank's substantial

This might happen when the interim results are published in March and would lead to a revaluation of the chares. A decision is also expected within the next 12 months acts in the 1850s, when futures

COUNTRY

China's political and economic problems, plus a decline in Hong Kong's own economic activity. The colony has achieved only 3 per cent gross domestic product growth this year, according to government forecasts, and this could fall in

the coming year. But the lower end of the property market is buoyant, reflecting investment by ethnic Chinese, and the Government is pressing ahead with HK\$127bn infrastructure plans which chould hoost economic which should boost economic activity within a couple of kets crash.

Peking over its post-1997 Basic Law may hit confidence. When the law is completed, however it will remove some uncertainty, as will the eventual resolution of the UK Parliament's position on the issue of British Unless there are more

DESSPORTS. destabilising chocks from China, that could help the mar-ket recover in the Year of the Horse, although no analysts are yet prepared to forecast when it might regain its all-time high of 3,949, achieved just before the 1987 world mar-

## ASIA PACIFIC Nikkei breaks record after taking rate rise in stride

shares from Monday's 55m. Izu-miya, the supermarket chain, rose ¥460 to ¥3,800 on reports

that Shuwa, its leading share-

VOLUME WAS higher than

Roundup

#### Tokyo

THE BANK of Japan'e Christ-mas gift to the market - an increase in the official discount rate - left share prices free to leap into new territory, even if trading etayed thin, writes Michiyo Nakamoto in Tokyo.

With substantial help from arbitrage buying, the Nikkei average put on 257.69 to a record high of 38,681.31, after a strong gain on Monday of 383.25 to 38,423.62.

The market took in its stride the central bank's announcement on Sunday of a 0.5 point rise in the official discount rate. Having been warned of an impending move, investors were prepared to discount the news once it came.

The index gains were achieved on relatively thin achieved on relatively thin turnover. Monday saw volume of only 507m shares, which improved only slightly yester-day to 653m. The high for the Nikkei yesterday was 38,761.23, with a low of 38,643.85. The Topix index of all listed shares added 19.65 to 2,866.95. Much of the Nikkel's gain

Much of the Nikkei's gain was estributed to arbitrage buying involving the futures markets. A lack of investment themes contributed to the market's lassitude. "Investors will holder, was prepared to sell to another leading retailer. be waiting to see discussion of next year's themes over the holidays," said Mr Shin Tokoi at County NatWest.

However, prospects for increased trade stemming from greater East-West contact continued to stir investors' imaginations. The focus yesterday was on companies that could benefit from a possible relax-

ation of Cocom restrictions on moderately active trading. The market focused on second and high technology exports to unist countries. third line stocks, but there was Oki Electric, second in volume with 19.5m shares traded, rose Y60 to Y1,240. Even Dai-

some scattered interest in blue chips, described as mostly rotational buying, switching from kin Industries, an industrial machinery maker which was one sector to another. The Straits Times index rose previously found to have vio-lated Cocom rules, gained Y90 to Y2,170 in active trading. 3.19 to 1,487.76. Volume fell to

lated Cocom rules, gained Y30 to Y2,170 in active trading. Sharp, the consumer elec-tronics maker, was pursued on

THE CLOSURE of most European markets for Boxing Day kept trading quiet in France and Spain. PARIS declined on profit-taking in thin trading, with the OMF 50 index off 1.40 at 541.51. Some small stocks showed good gains: arms and engineering group Luchaire rose FFr33, or 8.8 per cent, to FFr416 amid stake-huilding rumours; and Penhoet, the holding group, gained FFr35 to FFr645 on news of a stake in a small aerospace company. MADRID's general index rose 0.69 to 296.88 in a virtually empty market. Hanco Popular rose 4 percentage points to 764 per cent of par value and, in construction, the best perform-ing sector after days of selling, Valderrivas rose 50 to 4,100.

the strength of its profit and technology prospects, in which it is a leader, topping the vol-umes list with 21.2m shares Malaysian stocks such as Pro-met, which topped the most actives list and closed 3.5 cents higher at 87.5 cents. and gaining Y50 to Y1,960. Special situations were pur-sued in Osaka, helping the OSE average rise 239.01 to 38,931.64. Volume rose to 98m

TAIWAN, which saw its eighted index rise 207.96 on Saturday, rose another 296.68, or 3 per cent, to 9,145.38. It was closed on Monday for Constitu tion Day. Volume was 1.1bn ehares and NT\$124bn, up from 878m and NT\$98bn.

MANILA finished higher across a broad front as the market continued its recovery from a 24 per cent drop in one week earlier this month after the failed political coup. The composite index rose 56.89, or 5.3 per cent, to 1,131.85. SEOUL saw active trading as

expected in the run-up to the new year holidays, with those the composite index lost 23.27 to 909.72 on the last trading markets that were open mostly moving higher. SINGAPORE stayed firm in day of 1989.

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te rate: (c) Commercial rate ; (d) Controlled rate; (e) Essential Imports: (d) Financial rate; (h) Exports: (i) Non ste; (e) Official rate; (e) preferential rate; (d) convertible rate; (r) parallel rate; (d) Selling rate; (i) Tourist rate data supplied by Bank of America, Economics Department, London Trading Centre, Enguiries: 01 634 6360/5.

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